



Board of Administration Agenda

REGULAR MEETING

TUESDAY, AUGUST 27, 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:	Michael R. Wilkinson
Commissioners:	Annie Chao Elizabeth Lee Sandra Lee Nilza R. Serrano Sung Won Sohn
Manager-Secretary:	Neil M. Guglielmo
Executive Assistant:	Ani Ghokassian
Legal Counsel:	City Attorney's Office Public Pensions General Counsel Division

- I. PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION
- II. [APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF AUGUST 13, 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 JULY 2019](#)

- VI. COMMITTEE REPORT(S)
 - A. INVESTMENT COMMITTEE VERBAL REPORT ON THE MEETING OF AUGUST 13, 2019
- VII. BOARD/DEPARTMENT ADMINISTRATION
 - A. [TRAVEL AUTHORITY – COMMISSIONER SANDRA LEE; COUNCIL OF INSTITUTIONAL INVESTORS PENSION FUND TRUSTEE TRAINING – FIDUCIARY FITNESS, BERKELEY, CA; OCTOBER 4, 2019 AND POSSIBLE BOARD ACTION](#)
- VIII. BENEFITS ADMINISTRATION
 - A. [2020 HEALTH PLAN PREMIUMS AND POSSIBLE BOARD ACTION](#)
 - B. [2020 MAXIMUM SUBSIDY AND REIMBURSEMENT AMOUNTS AND POSSIBLE BOARD ACTION](#)
 - C. [BOARD RULE FOR MEDICAL PREMIUM REIMBURSEMENT PROGRAM DEPENDENT REIMBURSEMENT AND POSSIBLE BOARD ACTION](#)
 - D. [DISABILITY MEDICAL EVALUATION SERVICE PROVIDER REQUEST FOR PROPOSAL – PROPOSER RECOMMENDATIONS AND POSSIBLE BOARD ACTION](#)
- IX. INVESTMENTS
 - A. CHIEF INVESTMENT OFFICER VERBAL REPORT
 - B. [INVESTMENT MANAGER CONTRACT WITH AQR CAPITAL MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. SMALL CAP EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION](#)
 - C. [INVESTMENT MANAGER CONTRACT WITH QUANTITATIVE MANAGEMENT ASSOCIATES, LLC REGARDING MANAGEMENT OF AN ACTIVE EMERGING MARKETS CORE EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION](#)
 - D. [NOTIFICATION OF COMMITMENT OF UP TO \\$25 MILLION IN FS EQUITY PARTNERS VIII, L.P.](#)
 - E. [NOTIFICATION OF COMMITMENT OF UP TO \\$45 MILLION IN ADVENT INTERNATIONAL GPE IX, L.P.](#)
 - F. [NOTIFICATION OF COMMITMENT OF UP TO \\$15 MILLION IN ADVENT GLOBAL TECHNOLOGY, L.P.](#)
 - G. [NOTIFICATION OF COMMITMENT OF UP TO \\$50 MILLION IN PLATINUM EQUITY CAPITAL PARTNERS V, L.P.](#)

- H. [NOTIFICATION OF COMMITMENT OF UP TO \\$35 MILLION IN TA XIII, L.P.](#)
- I. [NOTIFICATION OF COMMITMENT OF UP TO \\$35 MILLION IN NEW ENTERPRISE ASSOCIATES 17, L.P.](#)
- J. [CONTINUED DISCUSSION ON PRIVATE EQUITY INVESTMENT MANAGEMENT](#)
- X. DISABILITY RETIREMENT APPLICATION(S)
 - A. CONSIDER THE DEFERRAL REQUEST FOR DISABILITY RETIREMENT APPLICATION OF AZAR NEJAD AND POSSIBLE BOARD ACTION
 - B. CONSIDER THE DISABILITY RETIREMENT APPLICATION OF KIRSTEN PEREZ AND POSSIBLE BOARD ACTION
 - C. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF ANDRES HERRERA AND POSSIBLE BOARD ACTION**
 - D. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF WILLIAM KEOGH AND POSSIBLE BOARD ACTION**
- XI. LEGAL/LITIGATION
 - A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER THE PURCHASE OF TWO (2) PARTICULAR, SPECIFIC INVESTMENTS AND POSSIBLE BOARD ACTION**
 - B. ENGAGEMENT OF OUTSIDE COUNSEL WITH EXPERTISE IN HEALTH LAW AND DATA PRIVACY AND POSSIBLE BOARD ACTION
- XII. OTHER BUSINESS
- XIII. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, September 10, 2019 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.
- XIV. 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

August 13, 2019

10:08 a.m.

Agenda of: Aug. 27, 2019

Item No: II

PRESENT:	President:	Cynthia M. Ruiz
	Vice President:	Michael R. Wilkinson
	Commissioners:	Elizabeth Lee Nilza R. Serrano Sung Won Sohn
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian
	Legal Counsel:	Anya Freedman
ABSENT:	Commissioners:	Annie Chao Sandra Lee

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 JULY 23, 2019 AND POSSIBLE BOARD ACTION – A motion to approve the Regular Board Meeting minutes of July 23, 2019 was moved by Commissioner Serrano, seconded by Vice President Wilkinson, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Vice President Wilkinson, and President Ruiz -5; Nays, None.

III

BOARD PRESIDENT VERBAL REPORT – President Ruiz reminded the Commissioners about diversity and differences of opinions and respect for each other.

IV

GENERAL MANAGER VERBAL REPORT

A. REPORT ON DEPARTMENT OPERATIONS – Neil M. Guglielmo, General Manager, discussed the following items:

- City approval of Successor MOUs for Coalition Bargaining Units
- Employee and member safety
- Annual valuation preparations
- Salary note approval for member services staff at LACERS
- Upcoming LACERS Tabletop Exercise
- LACERS staff to present at NCPERS Conference
- Actuarial cost study
- Reminder to Board members to cover Side A waiver of recourse payment

Mr. Guglielmo also introduced Vikram Jadhav, Director of Innovation, a new working title at LACERS. Mr. Jadhav introduced himself to the Board and spoke about his new role at LACERS.

B. UPCOMING AGENDA ITEMS – Mr. Guglielmo stated the following items will be on an upcoming Board agenda:

- Board to be briefed on pending health care legislation.
- Closed session discussion item regarding real property for Board or Ad-Hoc Committee.
- Health Plan Renewals and Benefit recommendations, a Board Rule recommendation, and the Medical Evaluation RFP results will be coming to the Board.

V

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. COMMISSIONER ELIZABETH LEE BOARD EDUCATION EVALUATION ON SACRS PUBLIC PENSION INVESTMENT MANAGEMENT PROGRAM 2019, BERKELEY, CA; JULY 22-24, 2019 – The report was received by the Board and filed.

VI

COMMITTEE REPORT(S)

A. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT ON THE MEETING OF AUGUST 13, 2019 – Commissioner Wilkinson stated the Committee was presented with the LACERS *Well* Survey Results and approved staff's recommendation for the 2020 Health Plan Premiums, 2020 Maximum Subsidy and Reimbursement Amounts, Disability Medical

Evaluation Service Provider RFP, and the Board Rule for Medical Premium Reimbursement Program Dependent Reimbursement.

- B. AUDIT COMMITTEE REPORT – CONTRACTOR DISCLOSURE REPORTING POLICY AND POSSIBLE BOARD ACTION – Wally Oyewole, Departmental Audit Manager, presented this item to the Board. Commissioner Elizabeth Lee moved approval, seconded by Vice President Wilkinson and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Vice President Wilkinson, and President Ruiz -5; Nays, None.

VII

BOARD/DEPARTMENT ADMINISTRATION

- A. GENERAL MANAGER DESIGNEE SIGNATURE AUTHORITY AND POSSIBLE BOARD ACTION – Isaius Cantu, Senior Management Analyst II with Administrative Services Division presented this item to the Board. Commissioner Serrano moved approval of the following Resolution:

SIGNATURE AUTHORITY FOR GENERAL MANAGER DESIGNEES

RESOLUTION 190813-A

WHEREAS, the Board may delegate authority to the necessary deputies, assistants, and employees of the department and define their duties under Los Angeles City Charter (LACC) Section 511(a); and,

WHEREAS, the General Manager is authorized under LACC Section 509 to administer the affairs of the department as its Chief Administrative Officer; and,

WHEREAS, the General Manager determines it is in the best interest of the department to ensure department business is transacted expeditiously on occasions when absent or unable to act through the assignment of signature authorities over specific areas of expertise;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby adopts the signature authority resolution for the General Manager designees. If practicable, designees shall seek verbal concurrence from the General Manager. Authority is assigned to the position, rather than the individual. This resolution shall be endorsed by the designees and should there be a change in personnel, a new endorsement certificate may be made and kept on file in the Board office; filed with any other necessary office of City government; or any agencies involved in processing LACERS' investment transactions and custodial responsibilities for the securities of LACERS. The proposed resolution will supersede any previously adopted resolutions related to General Manager Designee signature authority and is effective upon adoption.

1. Assistant General Manager(s) – for the approval of contracts in compliance with the contracting limitations established in the LACC; approval of expenditures; and approval of benefit payments and related transactions;
2. Chief Benefits Analyst of Administration Division – for the approval of contracts in compliance with the contracting limitations established in the LACC; approval of expenditures within the budget approved by the Board; and for the approval of service purchase contracts, certifications of service, and related Member transactions. The Chief Benefits Analyst (CBA) further delegates to the Senior Management Analyst II in the Administrative Services Office, approval of office expense expenditures within the Administration Division budget. The CBA may establish thresholds via memorandum filed with the Chief Accounting Employee of LACERS. The CBA further delegates to the Senior Management Analyst II in the Active Member-Service Purchase Section, approval and execution of service purchase contracts, certifications of service, and related Member transactions.
3. Chief Benefits Analyst of Health Benefits Administration and Communications Division – for the approval of benefit payments and related transactions; and approval of expenditures within the Health Benefits Administration and Communications Division’s approved budget.
4. Chief Benefits Analyst of Retirement Services Division – for the approval of benefit payments and related transactions; and approval of expenditures authorized in the Retirement Services Division’s approved budget. The Chief Benefits Analyst further delegates to the Senior Management Analyst IIs, approval of Retirement Services Division expenditures, and may establish thresholds via memorandum filed with the Chief Accounting Employee of LACERS.
5. Information Systems Manager – for the approval of expenditures within the System Division’s approved budget.
6. Chief Investment Officer or Investment Officer III – for the approval of investment transactions required within the scope of the contracts approved by the Board; and approval of expenditures within the Investment Division’s approved budget.

Endorsed: _____
Lita Payne
Assistant General Manager

Endorsed: _____
Todd Bouey
Assistant General Manager

Endorsed: _____
Dale Wong-Nguyen
Chief Benefits Analyst of Administrative Services

Endorsed: _____
Karen Freire
Chief Benefits Analyst of Retirement Services

Endorsed: _____
Alex Rabrenovich
Chief Benefits Analyst of Health Benefits Administration and Communications

Endorsed: _____
Rodney June
Chief Investment Officer

Endorsed: _____
Thomas Ma
Information Systems Manager

Endorsed: _____
Bryan Fujita
Investment Officer III

Endorsed: _____
Wilkin Ly
Investment Officer III

Endorsed: _____
Isaias Cantú
Senior Management Analyst II

Endorsed: _____
Edeliza Fang
Senior Management Analyst II

Endorsed: _____
Ann Seales
Senior Management Analyst II

Endorsed:

Ferralyn Sneed
Senior Management Analyst II

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

- B. TRAVEL AUTHORITY – COMMISSIONER ANNIE CHAO; NATIONAL CONFERENCE ON PUBLIC EMPLOYEE RETIREMENT SYSTEM PUBLIC PENSION FUNDING FORUM, NEW YORK, NY; SEPTEMBER 11-13, 2019 AND POSSIBLE BOARD ACTION – Vice President Wilkinson moved approval of the following Resolution:

**TRAVEL AUTHORITY
NATIONAL CONFERENCE OF PUBLIC EMPLOYEE RETIREMENT SYSTEMS
PUBLIC PENSION FUNDING FORUM
SEPTEMBER 11-13, 2019
NEW YORK, NEW YORK**

RESOLUTION 190813-B

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

WHEREAS, the National Conference of Public Employee Retirement Systems (NCPERS) Public Pension Funding Forum in New York, NY is not included in the Approved List of Educational Seminars, and therefore requires individual approval;

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

THEREFORE, BE IT RESOLVED, that Commissioner Chao is hereby authorized to attend the NCPERS Public Pension Funding Forum from September 11-13, 2019 in New York, NY;

BE IT FURTHER RESOLVED, that the reimbursement of up to \$3,000 is hereby authorized for reasonable expenses in connection with participation.

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

VIII

INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value, \$17.9 Billion as of August 12, 2019. Mr. June discussed the following items:

- 18 responses received for the Emerging Manager Small Cap Search RFP – closed on July 22, 2019.
- 19 responses received for the Emerging Market Debt Search RFP – closed on July 22, 2019.
- Core Fixed Income Manager Search will be released on August 19, 2019 with a deadline of October 4, 2019.
- Future agenda items: Manager Contracts, Private Equity Notifications, Private Equity Education.

Mr. June also welcomed to the table Citlalli Vivar, intern with Girls Who Invest, whose internship with LACERS will be coming to an end. Ms. Vivar spoke to the Board about the invaluable experience she had as an intern with the LACERS Investments team.

- B. NOTIFICATION OF COMMITMENT OF UP TO \$20 MILLION IN BROADVIEW REAL ESTATE PARTNERS FUND, L.P. – The report was received by the Board and filed.

President Ruiz recessed the Regular Meeting at 10:52 a.m. to convene in Closed Session.

IX

DISABILITY RETIREMENT APPLICATION(S)

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

- B. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF ROSE HOWARD AND POSSIBLE BOARD ACTION**

President Ruiz reconvened the Regular Meeting at 10:54 a.m. and announced that the Board unanimously approved the Disability Retirement Applications of Felicia Fair and Rose Howard.

X

OTHER BUSINESS – President Ruiz asked the Commissioners to think about their priorities as Commissioners and this will be discussed at a future Board Meeting.

XI

NEXT MEETING – The next Regular meeting of the Board is scheduled for Tuesday, August 27, 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 10:55 a.m.

Cynthia M. Ruiz
President

Neil M. Guglielmo
Manager-Secretary

Agenda of: AUG. 27, 2019

Item No: V-A

**MONTHLY REPORT ON SEMINARS AND CONFERENCES
ATTENDED BY BOARD MEMBERS ON BEHALF OF LACERS
(FOR THE MONTH OF JUNE 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 Michael R. Wilkinson

Commissioner Annie Chao
Commissioner Elizabeth Lee
Commissioner Sandra Lee
Commissioner Nilza R. Serrano
Commissioner Sung Won Sohn

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



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: AUGUST 27, 2019

ITEM: VII-A

SUBJECT: TRAVEL AUTHORITY – COMMISSIONER SANDRA LEE; COUNCIL OF INSTITUTIONAL INVESTORS PENSION FUND TRUSTEE TRAINING – FIDUCIARY FITNESS, BERKELEY, CALIFORNIA; OCTOBER 4, 2019 AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board authorize Commissioner Sandra Lee to attend the Council of Institutional Investors (CII) Pension Fund Trustee Training – Fiduciary Fitness on October 4, 2019 (travel dates October 3-4, 2019) in Berkeley, CA; and authorize the reimbursement of up to \$1,500 for reasonable expenses in connection with participation.

Discussion

Commissioner Sandra Lee has expressed interest in attending the above-mentioned educational conference, and this Board report is prepared on her behalf. Commissioner Sandra Lee has been provided a copy of LACERS Board Education and Travel Policy.

Strategic Plan Impact Statement

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

For Fiscal Year 2019-20, Commissioner Sandra Lee has an education travel budget of \$10,000.

Prepared By: Ani Ghoukassian, Commissioner Executive Assistant II

NMG/ag

- Attachments: 1. Estimate of Reimbursable Expenses
2. Proposed Resolution
3. Tentative Schedule/Agenda

CITY OF LOS ANGELES
Intra-Departmental Correspondence

DATE: August 7, 2019
TO: Accounting Section
 LACERS
FROM: Ani Ghoukassian, Commission Executive Assistant II
SUBJECT: ESTIMATE OF REIMBURSABLE EXPENSES

Name of Attendee Title	SANDRA LEE, COMMISSIONER	
Event	PENSION FUND TRUSTEE TRAINING-FIDUCIARY FITNESS	
Organization	COUNCIL OF INSTITUTIONAL INVESTORS (CII)	
Date(s) of Event	October 4, 2019 (Conference) October 3-4, 2019 (Travel Dates)	
Location of Event	BERKELEY, CALIFORNIA	
ESTIMATED EXPENSES:	Registration: \$395.00 (Member rate)	\$395.00
	Hotel: \$220/ Night x 1 (including taxes)	\$220.00
	Miscellaneous: (\$30 per day) x 2 days	\$60.00
	Meal/Incidental Allowances: Oct. 3 - \$49.50 Oct. 4 - \$49.00	\$98.50
	Transportation: Home to LAX (Roundtrip)	\$120.00
	Transportation: Hotel to Conference (Roundtrip)	\$75.00
	Airfare (RT) LAX to OAK	\$150.00
	TOTAL ESTIMATE:	\$1,118.50

**TRAVEL AUTHORITY
COUNCIL OF INSTITUTIONAL INVESTORS
PENSION FUND TRUSTEE TRAINING – FIDUCIARY FITNESS
OCTOBER 4, 2019
BERKELEY, CALIFORNIA**

PROPOSED RESOLUTION

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

WHEREAS, the Council of Institutional Investors (CII) Pension Fund Trustee Training – Fiduciary Fitness in Berkeley, California is not included in the Approved List of Educational Seminars, and therefore requires individual approval;

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

THEREFORE, BE IT RESOLVED, that Commissioner Sandra Lee is hereby authorized to attend the CII Pension Fund Trustee Training – Fiduciary Fitness on October 4, 2019 in Berkeley, California;

BE IT FURTHER RESOLVED, that the reimbursement of up to \$1,500 is hereby authorized for reasonable expenses in connection with participation.



Council of Institutional Investors®
The voice of corporate governance



CFA Institute

Please Join Us!
Pension Fund Trustee Training – Fiduciary Fitness
October 4, 2019
at the Haas School of Business, UC-Berkeley

The Council of Institutional Investors (CII) and the CFA Institute are pleased to announce the West Coast debut of their high-quality training program for new and experienced fund trustees.

The one-day (9:00 AM to 4:15 PM) interactive course will be held at Chou Hall on the Haas Berkeley campus, with the support of the Business in Society Institute of the Berkeley School of Law. It starts with fiduciary duties and ethics training based on real-life case studies that provide instruction and encourage critical thinking. Trustees will hone their investment skills in “basic training” and in seminars on advanced topics such as private equity and understanding money manager fee structures. The course wraps up with a panel discussion on hot topics in fund governance. Instructors are seasoned professionals with an appreciation for the challenges that fund trustees face.

Trustees who serve on boards of funds that are members of CII are welcome to register for the course at a special reduced rate of \$395. Non-CII member trustees pay \$495. No refunds will be made after September 12, 2019.

Please see below for the curriculum and faculty. Current CII members and non-members can register here. For details or questions, please contact Kylund Arnold at Kylund@cii.org or 202-822-0800.

**This Course is Offered with the Kind Support of CalPERS, CalSTRS,
University of California Regents and UC – Berkeley**

Agenda

9:00-9:15 **Welcome**
Amy Borrus, Deputy Director, CII
Henry Jones, Board President, California Public Employees’ Retirement System
Sharon Hendricks, Board Chair, California State Teachers’ Retirement System

Program Overview
Kurt Schacht, Managing Director, CFA Institute

9:15-10:15 **Fiduciary Skills**
Fiduciary Case Studies – Highlighting ESG Pressures and Practices
Bob Dannhauser, CFA, Head, Global Private Wealth Management, CFA Institute

10:15-11:15 Investment Skills

Investment Management Basic Training - A Refresher Course

Jeff Bailey, CFA, Finance Lecturer, University of Minnesota; Former Senior Director, Benefits, Target Corp.

11:15-11:30 Break

11:30-12:30 Concurrent Breakout Sessions: Advanced Investment Skills – Hot Topics

- **Private Equity & Other Alternatives**

John Griswold, Senior Consultant, Association of Governing Boards of Universities and Colleges; Founder, Commonfund Institute

- Trustee involvement in manager selection
- Asset allocation pros and cons—How much is too much?
- Fee structures

- **Advanced Allocation – Techniques for Fixed Income Allocation**

Jeff Bailey

- Why fixed income at all?
- Different types of sponsors, different needs for fixed income
- Fixed income compatibility with a 7.5% discount rate
- Case for bonds in a rising rate environment

12:30-1:15 Lunch (networking time)

1:15-2:15 Concurrent Breakout Sessions: Advanced Investment Skills – Hot Topics

Replay of concurrent breakout sessions 11:30-12:30

- **Private Equity & Other Alternatives**
- **Advanced Allocation – Techniques for Fixed Income Allocation**

2:15-2:45 Keynote

Jagdeep Bachher, CIO, University of California Regents

2:45-3:00 Break

3:00-4:00 Panel Discussion: Emerging Practices, Trends and Hot Topics

Von Hughes, Managing Director, PAAMCO Prisma; Author, *U.S. Public Pension Handbook: A Comprehensive Guide for Trustees and Investment*

Theresa Whitmarsh, Executive Director, Washington State Investment Board

Michael Williamson, former Executive Director, State of Wisconsin Investment Board

Moderator: Amy Borrus

4:00-4:15 Closing Remarks – Takeaways for Trustees

Kurt Schacht



REPORT TO BOARD OF ADMINISTRATION

From: Benefits Administration Committee
Michael R. Wilkinson, Chair
Sandra Lee
Nilza R. Serrano

MEETING: AUGUST 27, 2019
ITEM: VIII-A

SUBJECT: 2020 HEALTH PLAN PREMIUMS AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board approve the 2020 health plan premiums for medical, dental, and vision plan, allowing for any minor premium adjustments.

Executive Summary

Health plan contract renewals have resulted in overall 2020 health plan premium costs decreasing by 0.1% and include the addition of acupuncture benefits that are equivalent to the chiropractic benefits, and standard copay costs through the Medicare prescription drug Catastrophic Phase in the medical plans.

Discussion

At the Committee's meeting on August 13, 2019, staff and Keenan and Associates (Keenan), LACERS' health and welfare consultant, presented the recommended 2020 health plan premiums, as detailed in the attached Benefits Administration Committee report. The Committee approved staff's recommendation to forward the premiums to the Board for adoption.

Strategic Plan Impact Statement

Conducting an annual renewal of our health plans allows staff to ensure that our plan premiums and benefits are competitive and appropriate, and support the Strategic Plan Goal to Improve the Value and Minimize Costs of Members' Health and Wellness Program.

Prepared By: Alex Rabrenovich, Chief Benefits Analyst

MRW/AR:ar

Attachments: 1) August 13, 2019, Benefits Administration Committee Report
2) Proposed Resolution



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

MEETING: AUGUST 13, 2019
ITEM: IV

Neil M. Guglielmo

SUBJECT: 2020 HEALTH PLAN PREMIUMS AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee forward a recommendation to the Board to approve the proposed 2020 premium rates for LACERS medical, dental, and vision plans, as included in the Attachment 1, including any minor premium adjustments.

Executive Summary

Health plan contract renewals have resulted in overall 2020 health plan premium costs decreasing by 0.1% and include the addition of acupuncture benefits that are equivalent to the chiropractic benefit, and standard copay costs through the Medicare prescription drug Catastrophic Phase in the medical plans.

Discussion

As part of an annual process, LACERS' Health and Welfare Consultant, Keenan and Associates (Keenan), released a Request for Renewal, requesting premium rate renewal data from LACERS' health plan carriers: Kaiser Permanente (Kaiser), Anthem Blue Cross (Anthem), UnitedHealthcare (UHC), Senior Care Action Network (SCAN), and Delta Dental (Delta). Data requested included proposed 2020 premium rates, documentation to support the proposed premium rates, performance guarantees, as well as financial commitments toward LACERS' wellness program. In addition, LACERS requested the medical plans that did not already provide these benefits to provide the cost to include an acupuncture benefit and to provide Members coverage in the event they enter the "catastrophic phase" of their prescription plan.

Acupuncture Benefits

In an ongoing effort to maximize the utility of our health plans while controlling costs, LACERS sought the inclusion of acupuncture benefits for all medical plans. Acupuncture can be effective at treating a

wide range of ailments, including some inherent to an aging population, such as:

- General Pain Relief
- Back and Neck Relief
- Nerve Conduction
- Digestion Relief
- Anxiety/Depression/Insomnia Relief

Review of the acupuncture benefit is responsive to requests from LACERS' culturally diverse membership and allows all Members the opportunity and flexibility to take advantage of alternative treatment methods. The additional cost of including acupuncture is nominal; for example, no impact on SCAN rates, \$0.48 per Member per month for Kaiser, and \$3.82 for UnitedHealthcare enrollees.

Prescription Plan Catastrophic Phase Coverage

In certain Medicare Part D plans, once the Member has spent more than their plan's prescription out-of-pocket spending limit, they enter the "catastrophic phase" in which they must pay 5% of the plan's negotiated drug cost rather than the regular co-pay. Although it is rare that a LACERS Member finds themselves in this situation, when it happens, the substantially increased prescription drug costs for necessary prescriptions can have a considerable negative impact on the Member's quality of life and finances. In order to address this concern, LACERS and Keenan have confirmed and/or negotiated with each of the medical plan carriers that, moving forward, our Members will be charged only standard co-pays for prescription drugs.

2020 Medical Plan Renewal Summary

Overall, the 2020 medical premiums are estimated to decrease by \$243,384, or 0.2%, from \$127.8 million to \$127.5 million.

2020 Dental and Vision Plan Renewal Summary

The Delta Dental PPO is self-funded by LACERS, as of this year. Based on a review of the premiums and claims, the dental plan is operating at an estimated surplus of \$87,794, or 0.9%, and there is no need to change the premium for 2020.

DeltaCare USA (HMO) premium costs will increase by \$42,850, or 6.0%, from \$714,094 to \$756,944. The renewal also includes a rate cap of 6.0% for 2021.

Overall, the 2020 dental premiums are estimated to increase by \$42,850, or 4.0%, from \$10.7 million to \$10.8 million.

Anthem Blue View vision plan premiums will increase by \$37,512, or 5.0%, from \$750,235 to \$787,474, as part of a three-year rate guarantee. A one-year rate increase of 4.0% for 2020 was offered, but staff recommends securing the modest 5.0% rate increase for the next three years instead.

Conclusion

Negotiations conducted by Keenan and recommended renewal options resulted in an overall cost decrease of \$163,022, or 0.1%, from \$139.3 million to \$139.1 million. This cost includes the provision of a parity benefit between acupuncture and chiropractic, and maintaining standard copays during the Medicare prescription drug Catastrophic Phase for the associated medical plans. The Board has the authority to add benefits if the total premium cost of the Health and Welfare Program does not increase by more than 0.5%. The cost of adding these benefits is estimated to be \$118,799, which is only 0.09% of the estimated total cost of \$139,095,951.

Occasionally, premiums are subject to change slightly after Board approval due to discovered miscalculations. Staff recommends that the Board allow for any premium adjustments, with increases not to exceed \$5.00 per plan premium, to be included in the recommendation.

Staff and Keenan will be present to discuss the 2020 health plan renewal process and answer the Committee's questions.

Strategic Plan Impact Statement

Conducting an annual renewal of our health plans allows staff to ensure that our plan premiums and benefits are competitive and appropriate, and support the Strategic Plan Goal to Improve the Value and Minimize Costs of Members' Health and Wellness Program.

Prepared By: Alex Rabrenovich, Chief Benefits Analyst
Bruce Bernal, Senior Personnel Analyst II

NMG/LP:ar

Attachments: 1 – Keenan Report – 2020 Health Plan Renewal Final Report
2 – LACERS Historical Medical Cost Increases



Los Angeles City Employees' Retirement System

2020 Health Plan Renewal, Final Report

Benefits Administration Committee

August 13, 2019

BAC Meeting: 08/13/19

Item IV

Attachment 1

Respectfully Submitted by:

Ju Anderson, Vice President | Bordan Darm, Consultant

Erin Robinson, Senior Service Representative | Christine Hough, Actuary

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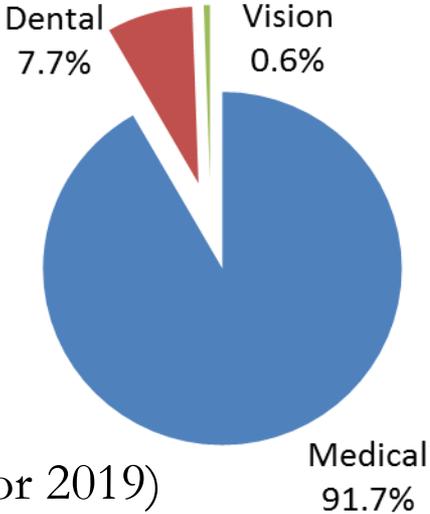
Introduction

- This report presents Los Angeles City Employees' Retirement System's (LACERS) preliminary 2020 health plan renewals
- Anthem Blue Cross (Anthem), Kaiser Permanente (Kaiser), UnitedHealthcare (UHC), and SCAN have provided medical plan renewals for 2020
- Delta Dental has provided a renewal for the DHMO plan for 2020. The Delta Dental PPO plan is self-funded as of January 1, 2019. The PPO administration fee remains the same from 2019.
- Anthem Blue View Vision has provided renewals for 2020 and for a three-year guarantee contract
- Data assumes the current carriers, plans, and enrollment in the report with the following exception;
 - An acupuncture benefit was added in parity with the chiropractic benefit
 - The Medicare Rx Catastrophic stage member cost share was adjusted to match the copayment structure.



Executive Summary

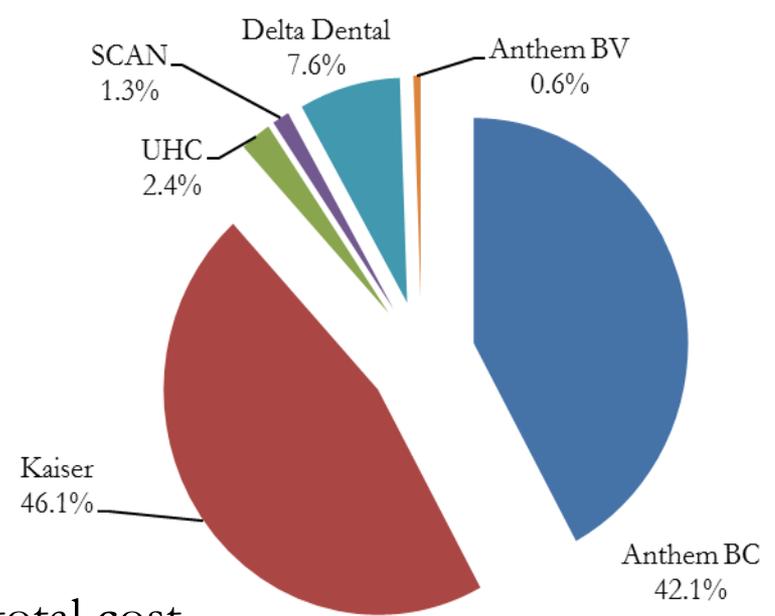
- The 2020 final renewal for the LACERS Health and Welfare Program is a minor decrease in cost of \$163,022 or -0.1% from \$139,258,973 to \$139,095,951
- Of LACERS’ total premium costs, medical is 91.7%, dental 7.7%, and vision 0.6%
- The 2020 LACERS final renewals are as follows:
 - Medical premiums: **-\$243,384** or **-0.2%**
 - Dental premiums: **\$42,850** or **0.4%**
 - Vision premiums: **\$37,512** or **5.0%**
- The Delta Dental PPO plan is in its first year of self-funding
 - IBNR reserve of \$915,545 will be funded in 2019
 - No adjustment in rates is needed for 2020
- The Health Insurance Tax (HIT) for 2020 is \$2,026,040 (\$0 for 2019)



	Current Enrollment	2019 Premium	2020 Renewal - Preliminary			2020 Final Renewal			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
MEDICAL	19,027	127,788,497	\$129,593,964	\$1,805,467	1.4%	\$127,545,113	(\$243,384)	-0.2%	\$2,048,851
DENTAL	15,003	10,720,241	\$10,763,091	\$42,850	0.4%	\$10,763,091	\$42,850	0.4%	\$0
VISION	7,602	750,235	\$780,266	\$30,031	4.0%	\$787,747	\$37,512	5.0%	(\$7,481)
GRAND TOTAL		\$139,258,973	\$141,137,321	\$1,878,348	1.3%	\$139,095,951	(\$163,022)	-0.1%	\$2,041,370

Executive Summary

- The 2020 LACERS final renewals by carrier are as follows:
 - Anthem: **\$1,099,666** or **1.9%**
 - Kaiser: **-\$1,578,370** or **-2.4%**
 - UHC: **\$235,320** or **7.5%**
 - SCAN: **\$0** or **0.0%**
 - Delta Dental: **\$42,850** or **0.4%**
 - Anthem Blue View: **\$37,512** or **5.0%**
- Kaiser and Anthem comprise 87.2% of the total cost

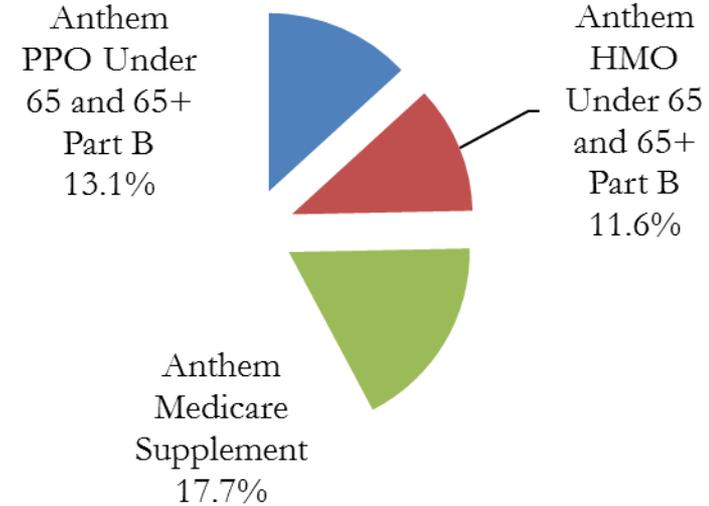


Carriers	Current Enrollment	2019 Premium	2019 Renewal - Preliminary			2020 Renewal - Preliminary			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
Anthem	5,029	\$57,768,916	\$59,390,679	\$1,621,763	2.8%	\$58,868,582	\$1,099,666	1.9%	\$522,097
Kaiser	12,380	\$65,073,982	\$65,069,856	(\$4,126)	0.0%	\$63,495,612	(\$1,578,370)	-2.4%	\$1,574,244
UnitedHealthcare	1,036	\$3,131,086	\$3,318,916	\$187,830	6.0%	\$3,366,406	\$235,320	7.5%	(\$47,490)
SCAN	582	\$1,814,513	\$1,814,513	\$0	0.0%	\$1,814,513	\$0	0.0%	\$0
Delta Dental	15,003	\$10,720,241	\$10,763,091	\$42,850	0.4%	\$10,763,091	\$42,850	0.4%	\$0
Anthem Blue View	7,602	\$750,235	\$780,266	\$30,031	4.0%	\$787,747	\$37,512	5.0%	(\$7,481)
GRAND TOTAL		\$139,258,973	\$141,137,321	\$1,878,348	1.3%	\$139,095,951	(\$163,022)	-0.1%	\$2,041,370

1) Anthem and Delta Dental enrollments are retiree counts.
 2) Kaiser, UnitedHealthcare and SCAN enrollments are member counts.
 3) Kaiser did not provide Senior Advantage preliminary renewal. For illustration, an industry norm 3% increase was assumed.

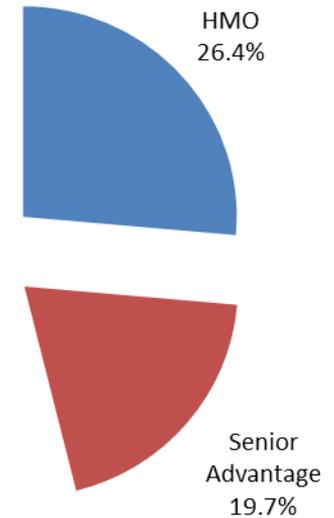
Anthem Blue Cross Renewal

- Anthem Blue Cross comprises 42.4% of LACERS' premium costs
- Anthem requested the following rate adjustments:
 - PPO Under 65 / 65+ Part B: **\$56,583** or **0.3%**
 - HMO Under 65 / 65+ Part B: **\$1,348,7445** or **9.1%**
 - Medicare Supplement: **-\$305,662** or **-1.2%**
 - An overall increase of **\$1,099,666** or **1.9%**
- Considerations for Anthem's renewal:
 - 2020 wellness program contribution of \$375,000
 - Preliminary renewal includes Anthem concession for HMO from 12.7% to 9.1%



	Current Enrollment	2019 Premium	2020 Renewal - Preliminary			2020 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
Anthem									
Anthem									
PPO Under 65 and 65+ Part B	1,034	\$18,172,154	\$18,228,737	\$56,583	0.3%	\$18,228,737	\$56,583	0.3%	\$0
HMO Under 65 and 65+ Part B	893	\$14,740,384	\$16,611,226	\$1,870,842	12.7%	\$16,089,129	\$1,348,745	9.1%	\$522,097
Medicare Supplement	3,102	\$24,856,378	\$24,550,716	(\$305,662)	-1.2%	\$24,550,716	(\$305,662)	-1.2%	\$0
Total	5,029	\$57,768,916	\$59,390,679	\$1,621,763	2.8%	\$58,868,582	\$1,099,666	1.9%	\$522,097

Kaiser Permanente Renewal



- Kaiser comprises 46.1% of LACERS' premium costs
- Kaiser requested the following rate adjustments:
 - HMO Under 65: -\$791,409 or -2.1% decrease
 - Senior Advantage: -\$786,961 or -2.9% decrease
 - For an overall decrease of **-\$1,578,370** or **-2.40%**
- Other considerations:
 - \$150,000 funding for wellness program and Open Enrollment

	Current Enrollment	2019 Premium	2020 Renewal - Preliminary			2020 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
Kaiser									
HMO Under 65	4,051	\$38,053,406	\$37,238,663	(\$814,743)	-2.1%	\$37,261,997	(\$791,409)	-2.1%	(\$23,334)
Senior Advantage	8,329	\$27,020,576	\$27,831,193	\$810,617	3.0%	\$26,233,615	(\$786,961)	-2.9%	\$1,597,578
Total	12,380	\$65,073,982	\$65,069,856	(\$4,126)	0.0%	\$63,495,612	(\$1,578,370)	-2.4%	\$1,574,244

SCAN Renewal

SCAN Medicare Advantage HMO – Available to retired Members with Medicare Parts A and B

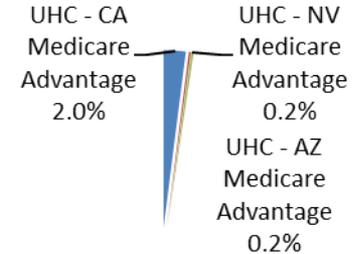
SCAN
1.3%

- SCAN comprises 1.3% of LACERS' premium costs
- SCAN requested the following rate adjustments:
 - Medicare Advantage: **\$0** or **0.0%**
- Other considerations:
 - Wellness program contribution of \$9,000

	Current Enrollment	2019 Premium	2020 Renewal - Preliminary			2020 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
SCAN									
Medicare Advantage	582	\$1,814,513	\$1,814,513	\$0	0.0%	\$1,814,513	\$0	0.0%	\$0

UnitedHealthcare Renewal

UnitedHealthcare Medicare Advantage HMO – Available to retired Members with Medicare Parts A and B



- UHC comprises 2.4% of LACERS’ premium costs
- UHC proposed a **\$187,830** or **6.0%** increase
 - With acupuncture parity to chiropractic benefits the renewal increased to 7.5% (\$235,320)
- UHC provides LACERS coverage in California, Arizona, and Nevada
- Other considerations:
 - Wellness program contribution of \$8,500

	Current Enrollment	2019 Premium	2020 Renewal - Preliminary			2020 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
UnitedHealthcare									
CA Medicare Advantage	873	\$2,624,762	\$2,782,216	\$157,454	6.0%	\$2,822,234	\$197,472	7.5%	(\$40,018)
NV Medicare Advantage	102	\$270,957	\$287,212	\$16,255	6.0%	\$291,888	\$20,931	7.7%	(\$4,676)
AZ Medicare Advantage	61	\$235,367	\$249,488	\$14,121	6.0%	\$252,284	\$16,917	7.2%	(\$2,796)
Total	1,036	\$3,131,086	\$3,318,916	\$187,830	6.0%	\$3,366,406	\$235,320	7.5%	(\$47,490)

Delta Dental Renewal

Delta Dental PPO and DHMO –

Available to retired members

Delta Dental
PPO
7.1%



Delta Dental
DHMO
0.5%

- Delta Dental comprises 7.6% of LACERS' premium costs
- LACERS started self-funding the Delta Dental PPO as of January 1, 2019
- The self-funded PPO requires no rate adjustment for 2020
- The Delta Dental DHMO requires a 6.0% increase or \$42,850.
 - Based off of the plan experience for the DHMO a 28.1% increase would be required.
- Other considerations:
 - Wellness program contribution of \$10,000

	Current Enrollment	2019 Premium	2020 Renewal - Preliminary			2020 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
Delta Dental									
PPO	11,810	\$10,006,147	\$10,006,147	\$0	0.0%	\$10,006,147	\$0	0.0%	\$0
DHMO	3,193	\$714,094	\$756,944	\$42,850	6.0%	\$756,944	\$42,850	6.0%	\$0
Total	15,003	\$10,720,241	\$10,763,091	\$42,850	0.4%	\$10,763,091	\$42,850	0.4%	\$0

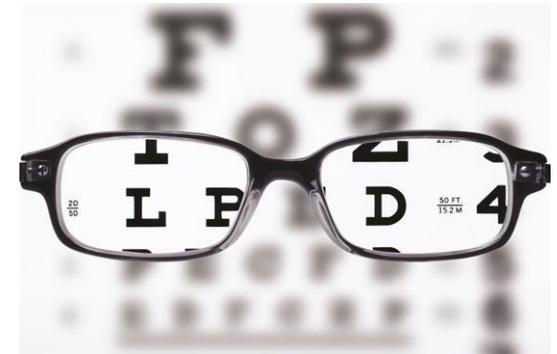
Anthem Blue View Vision Renewal

Anthem Blue View Vision –

Available to retired Members enrolled in Anthem, SCAN and UHC

Anthem
Blue View
0.6%

- Anthem Blue View comprises 0.6% of LACERS premium costs
- Anthem Blue View has requested an increase of **\$37,512** or **5.0%** with a 3-year rate guarantee (a one year renewal option is available at 4.0%)
- Other considerations:
 - Wellness program contribution is combined with Anthem medical



	Current Enrollment	2019 Premium	2020 Renewal - Preliminary			2020 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
Anthem Blue View									
Vision	7,602	\$750,235	\$780,266	\$30,031	4.0%	\$787,747	\$37,512	5.0%	(\$7,481)

Estimate of 2019 Renewal Action on 2020

- For 2019 LACERS elected to hold rates for various coverages, rather than pass on rate decreases. The following chart illustrates this action on the proposed 2020 final renewal action.

LACERS Renewal	2019 Renewal				2020 Renewal		
	2019 Renewal	Renewal Action	Funds to LACERS	Fund From PSR	2020 Renewal	Proposed Renewal Action	Funds to LACERS
Medical							
<i>Antem</i>							
PPO Under 65 and 65+ Part B	-2.4%	0.0%	2.4%	0.0%	0.3%	0.0%	2.1%
HMO Under 65 and 65+ Part B	-9.7%	-9.7%	9.7%	-9.7%	9.1%	9.1%	0.0%
Medicare Supplemental Plan	2.6%	0.0%	0.0%	-2.6%	-1.2%	1.3%	0.0%
<i>Kaiser</i>							
HMO Under 65	-2.7%	0.0%	2.7%	N/A	-2.1%	0.0%	4.7%
Senior Advantage	2.0%	2.0%	0.0%	N/A	-3.1%	0.0%	1.2%
<i>UHC</i>							
California	-5.6%	0.0%	5.6%	N/A	7.5%	1.5%	0.0%
Nevada	-6.4%	0.0%	6.4%	N/A	7.7%	0.8%	0.0%
Arizona	-4.4%	0.0%	4.4%	N/A	7.2%	2.5%	0.0%
<i>SCAN</i>							
	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
Dental							
<i>Delta Dental</i>							
Delta Dental PPO	3.5%	3.5%	0.0%	N/A	0.0%	0.0%	0.0%
Delta Dental DHMO	6.0%	6.0%	0.0%	N/A	6.0%	6.0%	0.0%
Vision							
<i>Antem</i>							
Blue View Vision	3.5%	3.5%	0.0%	N/A	5.0%	5.0%	0.0%

Estimate of 2019 Renewal Action on 2020

2020 Final Renewal Dollar Impact

LACERS Renewal	2019 Renewal				2020 Renewal		
	2019 Renewal	Renewal Action	Funds to LACERS	Fund From PSR	2020 Renewal	Proposed Renewal Action	Funds to LACERS
Medical							
<i>Anthem</i>							
PPO Under 65 and 65+ Part B	\$ (433,469)	\$ -	\$ 433,469	\$ -	\$ 56,583	\$ -	\$ 382,093
HMO Under 65 and 65+ Part B	\$ (1,511,809)	\$ (1,511,809)	\$ 1,511,809	\$ (1,511,809)	\$ 1,348,745	\$ 1,348,745	\$ -
Medicare Supplemental Plan	\$ 607,328	\$ -	\$ -	\$ (607,328)	\$ (305,662)	\$ 305,662	\$ -
Anthem Total	\$ (1,337,950)	\$ (1,511,809)	\$ 1,945,278	\$ (2,119,137)	\$ 1,099,666	\$ 1,654,407	\$ 382,093
<i>Kaiser</i>							
HMO Under 65	\$ (1,020,390)	\$ -	\$ 1,020,390	N/A	\$ (791,409)	\$ -	\$ 791,409
Senior Advantage	\$ 521,946	\$ 521,946	\$ -	N/A	\$ (786,961)	\$ -	\$ 786,961
Kaiser Total	\$ (498,444)	\$ 521,946	\$ 1,020,390	N/A	\$ (1,578,370)	\$ -	\$ 1,578,370
<i>UHC</i>							
California	\$ (159,300)	\$ -	\$ 159,300	N/A	\$ 197,472	\$ 42,393	\$ -
Nevada	\$ (17,939)	\$ -	\$ 17,939	N/A	\$ 20,931	\$ 2,424	\$ -
Arizona	\$ (8,644)	\$ -	\$ 8,644	N/A	\$ 16,917	\$ 6,235	\$ -
UHC Total	\$ (185,883)	\$ -	\$ 185,883	N/A	\$ 235,320	\$ 51,052	\$ -
<i>SCAN</i>							
Total Medical	\$ (2,022,277)	\$ (989,863)	\$ 3,151,551	\$ (2,119,137)	\$ (243,384)	\$ 1,705,459	\$ 1,960,463
Dental							
<i>Delta Dental</i>							
Delta Dental PPO	\$ 318,343	\$ 318,343	\$ -	N/A	\$ -	\$ -	\$ -
Delta Dental DHMO	\$ 39,295	\$ 39,295	\$ -	N/A	\$ 42,850	\$ 42,850	\$ -
Total Dental	\$ 357,638	\$ 357,638	\$ -	N/A	\$ 42,850	\$ 42,850	\$ -
Vision							
<i>Anthem</i>							
Blue View Vision	\$ 23,357	\$ 23,357	\$ -	N/A	\$ 37,512	\$ 37,512	\$ -
Health - Medical, Dental, & Vision							
Total Health	\$ (1,641,282)	\$ (608,868)	\$ 3,151,551	\$ (2,119,137)	\$ (163,022)	\$ 1,785,821	\$ 1,960,463

Health Insurance Tax (HIT) / ACA Tax

- For 2020 HIT/ACA tax will be implemented again.
- For 2019, no HIT/ACA fees were required.
- Total 2020 HIT/ACA tax is \$2,126,040

HIT / ACA Tax	2019	2020	Enrollment	2020 Cost per Retiree per Month
Medical				
<i>Anthem</i>				
PPO Under 65 and 65+ Part B	\$ -	\$ 501,255	1,034	\$ 40.40
HMO Under 65 and 65+ Part B	\$ -	\$ 458,238	893	\$ 42.76
<u>Medicare Supplemental Plan</u>	\$ -	\$ 313,994	<u>3,102</u>	\$ 8.44
Anthem Total	\$ -	\$ 1,273,487	5,029	\$ 21.10
<i>Kaiser</i>				
HMO Under 65	\$ -	\$ 339,900	4,051	\$ 6.99
<u>Senior Advantage</u>	\$ -		<u>8,329</u>	
Kaiser Total	\$ -		12,380	
<i>UHC</i>				
California	\$ -	\$ 408,250	873	\$ 38.97
Nevada	\$ -	\$ 55,092	102	\$ 45.01
<u>Arizona</u>	\$ -	\$ 27,853	<u>61</u>	\$ 38.05
UHC Total	\$ -	\$ 491,195	1,036	\$ 39.51
<i>SCAN</i>	\$ -	\$ -	582	\$ -
Total Medical	\$ -	\$ 2,104,582	10,698	\$ 16.39
Dental				
<i>Delta Dental</i>				
Delta Dental PPO	\$ -		11,810	
<u>Delta Dental DHMO</u>	\$ -		<u>3,193</u>	
Total Dental	\$ -		15,003	
Vision				
<i>Anthem</i>				
Blue View Vision	\$ -	\$ 21,458	7,602	\$ 0.24
Health - Medical, Dental, & Vision				
Total Health	\$ -	\$ 2,126,040		

Acupuncture Benefit

- Keenan worked with the LACERS carriers (Kaiser, SCAN and UHC) to create parity between the provision of acupuncture and chiropractic benefits. The following table illustrates the plan design and rate cost impact.

LACERS - Current Benefits Chiropractic and Acupuncture	Anthem PPO	Anthem HMO	Anthem Medicare Supplemental	Kaiser HMO	Kaiser KPSA	SCAN	UHC
Chiropractic Copayment	\$20 Copayment	\$20 Copayment	\$10 Copayment	\$15 Copayment	\$15 Copayment	\$10 Copayment	\$15 Copayment
Chiropractic Benefit	30 visits / year	30 visits / year	30 visits / year	30 visits / year	30 visits / year	20 visits / year	CA - 30 visits / year, AZ /NV 12 visits / year
Acupuncture Copayment	\$30 Copayment	\$20 Copayment	\$30 Plan payment				
Acupuncture Benefit	12 visits / year	If medically necessary and approved by PCP. No benefit limit	12 visits / year, Must use a physician	No Coverage	No Coverage	No Coverage	No Coverage
LACERS - Proposed Acupuncture Benefit	Anthem PPO	Anthem HMO	Anthem Medicare Supplemental	Kaiser HMO	Kaiser KPSA	SCAN	UHC
Copayment	\$20 Copayment	\$20 Copayment	\$10 Copayment	\$15 Copayment	\$15 Copayment	\$10 Copayment	\$15 Copayment
Benefit	30 visits / year	30 visits / year	30 visits / year	30 visits / year	30 visits / year	20 visits / year	CA - 30 visits / year, AZ /NV 12 visits / year
Rate Impact	\$0	\$0	\$0	\$0.48/\$0.96/\$1.25 Ret/Ret+Sp/Ret+F	\$0.48/Ret/mo.	\$0	\$3.82/member/month
Annual Dollar Cost Impact	\$0	\$0	\$0	\$23,334	\$47,975	\$0	\$47,490

Prescription Drug Catastrophic Stage

Out of Pocket Retiree Cost

- It has come to LACERS’ attention that after a retiree on Medicare reaches \$5,100 (\$6,350 in 2020) in out of pocket expenses for prescription drugs, a 5% of cost co-insurance applies to future prescription drug expenses.
- This benefit level is only attained by few retirees with significant prescription drug cost, but can be substantial for those retirees who obtain this out-of-pocket benefit cost-share level.
- Keenan was able to negotiate with each carrier to continue applicable standard copayments during the Medicare Catastrophic Stage at no cost.

LACERS - Medicare Coverage RX - Catastrophic Phase	Anthem Medicare Supplemental	Kaiser KPSA	SCAN	UHC
Current RX Retiree Cost Share	Up to 5% of Cost	Applicable Copayment applies	Up to 5% of Cost	Up to 5% of Cost
Effective 1/1/2020	Applicable Copayment applies	Applicable Copayment applies	Applicable Copayment applies	Applicable Copayment applies
Cost Impact	\$0	\$0	\$0	\$0

Security Breach Performance Standard

- LACERS has requested that each carrier provide performance standards, measures, and guarantees in the event of a security breach exposing LACERS Members' personal health information (PHI).
- Anthem and UHC has complied with this request. Kaiser, SCAN, and Delta Dental are working on this request. However it will most likely not be ready for 2020.
- Additionally, LACERS requested confirmation that each carrier carries Security Breach coverage. All carriers provided confirmation of coverage.

Delta Dental Self-Funded Renewal

This is LACERS first year of self-funding the PPO dental plan. The 2020 underwriting shows no renewal increase required for 2020. Additionally, by the end of 2019 the IBNR reserve should be fully funded and a reserve balance should accumulate.

Paid Claims (7/1/18 - 6/30/19)		\$7,510,843
Beginning IBNR Reserve @ 1/1/19	—	\$0
Ending IBNR Reserve @ 6/30/19 (1.5 month factor)	+	\$915,545
Plan Change Adjustment	+	\$0
Incurred Claims (7/1/18 - 6/30/19)		\$8,426,388
Covered Retirees	÷	141,432
Incurred Claims (Per Retiree Per Month)		\$59.58
Trend Factor (4% for 20 months)	x	1.068
Claims Fluctuation Margin @ 2%	x	1.020
2020 Projected Incurred Claims (Per Retiree Per Month)		\$64.88
Delta Dental Administration Fee (Per Retiree Per Month)	+	\$5.10
2020 Projected Retiree Cost Per Month		\$69.98
Current Retiree Count	x	11,956
2020 Self Funded Cost		\$10,039,570
2019 Current Fully Insured Premium		\$10,127,364
\$ Difference		(\$87,794)
% Difference (renewal requirement)		-0.9%

Note: Based on Delta Dental Monthly Experience Report

Recommendations

- Accept the final medical renewals to include parity between the acupuncture and chiropractic benefits and coverage through the Medicare prescription drug Catastrophic Phase
- Accept the final dental plan renewals as recommended
- Accept the final vision plan renewal as part of a three-year rate guarantee



Appendix

Health Plan Financial Summary

	Current Enrollment	2019 Premium	2020 Renewal - Preliminary			2020 Final Renewal			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
Anthem									
Anthem									
PPO Under 65 and 65+ Part B	1,034	\$18,172,154	\$18,228,737	\$56,583	0.3%	\$18,228,737	\$56,583	0.3%	\$0
HMO Under 65 and 65+ Part B	893	\$14,740,384	\$16,611,226	\$1,870,842	12.7%	\$16,089,129	\$1,348,745	9.1%	\$522,097
Medicare Supplement	3,102	\$24,856,378	\$24,550,716	(\$305,662)	-1.2%	\$24,550,716	(\$305,662)	-1.2%	\$0
Total	5,029	\$57,768,916	\$59,390,679	\$1,621,763	2.8%	\$58,868,582	\$1,099,666	1.9%	\$522,097
Kaiser									
HMO Under 65	4,051	\$38,053,406	\$37,238,663	(\$814,743)	-2.1%	\$37,261,997	(\$791,409)	-2.1%	(\$23,334)
Senior Advantage	8,329	\$27,020,576	\$27,831,193	\$810,617	3.0%	\$26,233,615	(\$786,961)	-3.1%	\$1,597,578
Total	12,380	\$65,073,982	\$65,069,856	(\$4,126)	0.0%	\$63,495,612	(\$1,578,370)	-2.4%	\$1,574,244
UnitedHealthcare									
CA Medicare Advantage	873	\$2,624,762	\$2,782,216	\$157,454	6.0%	\$2,822,234	\$197,472	7.5%	(\$40,018)
NV Medicare Advantage	102	\$270,957	\$287,212	\$16,255	6.0%	\$291,888	\$20,931	7.7%	(\$4,676)
AZ Medicare Advantage	61	\$235,367	\$249,488	\$14,121	6.0%	\$252,284	\$16,917	7.2%	(\$2,796)
Total	1,036	\$3,131,086	\$3,318,916	\$187,830	6.0%	\$3,366,406	\$235,320	7.5%	(\$47,490)
SCAN									
Medicare Advantage	582	\$1,814,513	\$1,814,513	\$0	0.0%	\$1,814,513	\$0	0.0%	\$0
Total	582	\$1,814,513	\$1,814,513	\$0	0.0%	\$1,814,513	\$0	0.0%	\$0
Medical Total	19,027	\$127,788,497	\$129,593,964	\$1,805,467	1.4%	\$127,545,113	(\$243,384)	-0.2%	\$2,048,851
DENTAL									
Delta Dental PPO	11,810	\$10,006,147	\$10,006,147	\$0	0.0%	\$10,006,147	\$0	0.0%	\$0
Delta Dental HMO	3,193	\$714,094	\$756,944	\$42,850	6.0%	\$756,944	\$42,850	6.0%	\$0
Dental Total	15,003	\$10,720,241	\$10,763,091	\$42,850	0.4%	\$10,763,091	\$42,850	0.4%	\$0
VISION									
Anthem Blue View	7,602	\$750,235	\$780,266	\$30,031	4.0%	\$787,747	\$37,512	5.0%	(\$7,481)
Vision Total	7,602	\$750,235	\$780,266	\$30,031	4.0%	\$787,747	\$37,512	5.0%	(\$7,481)
GRAND TOTAL		\$139,258,973	\$141,137,321	\$1,878,348	1.3%	\$139,095,951	(\$163,022)	-0.1%	\$2,041,370

- 1) Anthem and Delta Dental enrollments are retiree counts.
- 2) Kaiser, UnitedHealthcare and SCAN enrollments are member counts.
- 3) Kaiser did not provide Senior Advantage preliminary renewal. For illustration, an industry norm 3% increase was assumed.

Anthem PPO Rates

Anthem		Carrier Rates			Member Rates			Amount to 401(h)/115 Trust	
U65 and 65+ Part B PPO - Refunding		2019	2020	% Change	2019	2020	% Change	2019	2020
Retiree Only									
U	Retiree < 65 or > 65 with only Part B of Medicare	\$1,231.62	\$1,235.44	0.31%	\$1,262.42	\$1,262.42	0.00%	\$30.80	\$26.98
Retiree and One Dependent									
UU	Retiree & Dependent both < 65 or both > 65 with Part B of Medicare	\$2,463.24	\$2,470.88	0.31%	\$2,524.84	\$2,524.84	0.00%	\$61.60	\$53.96
UM	Retiree < 65 & Dependent > 65 with both parts A & B of Medicare	\$1,231.62	\$1,235.44	0.31%	\$1,262.42	\$1,262.42	0.00%	\$30.80	\$26.98
MU	Retiree > 65 with both parts A & B of Medicare & Dependent < 65	\$1,231.62	\$1,235.44	0.31%	\$1,262.42	\$1,262.42	0.00%	\$30.80	\$26.98
Retiree and Family (Family = 2 or more dependents)									
UUU	Retiree & Dependents all < 65 or > 65 with Part B of Medicare	\$2,894.31	\$2,903.28	0.31%	\$2,966.69	\$2,966.69	0.00%	\$72.38	\$63.41
UMU	Retiree < 65 & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$1,662.69	\$1,667.84	0.31%	\$1,704.27	\$1,704.27	0.00%	\$41.58	\$36.43
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$1,662.69	\$1,667.84	0.31%	\$1,704.27	\$1,704.27	0.00%	\$41.58	\$36.43
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare (One or more Children)	\$431.07	\$432.40	0.31%	\$441.85	\$441.85	0.00%	\$10.78	\$9.45

Anthem HMO Rates

Anthem		Carrier Rates			Member Rates			Amount to 401(h)/115 Trust	
HMO - Refunding (Assumes Current Plan with Traditional HMO Network)		2019	2020	% Change	2019	2020	% Change	2019	2020
Retiree Only									
U	Retiree < 65 or > 65 with only Part B of Medicare	\$944.07	\$1,030.45	9.15%	\$944.07	\$1,030.45	9.15%	\$0.00	\$0.00
Retiree and One Dependent									
UU	Retiree & Dependent both < 65 or both > 65 with Part B of Medicare	\$1,888.14	\$2,060.90	9.15%	\$1,888.14	\$2,060.90	9.15%	\$0.00	\$0.00
UM	Retiree < 65 & Dependent > 65 with both parts A & B of Medicare	\$944.07	\$1,030.45	9.15%	\$944.07	\$1,030.45	9.15%	\$0.00	\$0.00
MU	Retiree > 65 with both parts A & B of Medicare & Dependent < 65	\$944.07	\$1,030.45	9.15%	\$944.07	\$1,030.45	9.15%	\$0.00	\$0.00
Retiree and Family (Family = 2 or more dependents)									
UUU	Retiree & Dependents all < 65 or > 65 with Part B of Medicare	\$2,454.58	\$2,679.17	9.15%	\$2,454.58	\$2,679.17	9.15%	\$0.00	\$0.00
UMU	Retiree < 65 & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$1,510.51	\$1,648.72	9.15%	\$1,510.51	\$1,648.72	9.15%	\$0.00	\$0.00
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$1,510.51	\$1,648.72	9.15%	\$1,510.51	\$1,648.72	9.15%	\$0.00	\$0.00
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare (One or more Children)	\$566.44	\$618.27	9.15%	\$566.44	\$618.27	9.15%	\$0.00	\$0.00

Anthem Rates

Anthem		Carrier Rates			Member Rates			Amount to 401(h)/115 Trust	
Anthem Medicare Supplement Plan - Refunding *		2019	2020	% Change	2019	2020	% Change	2019	2020
Retiree Only								(from PSR)	
M	Retiree > 65 with both Parts A & B of Medicare	\$548.17	\$541.43	2.63%	\$534.12	\$541.43	1.37%	-\$14.05	\$0.00
Retiree and One Dependent								(from PSR)	
UM	Retiree < 65 & Dependent > 65 with both Parts A & B of Medicare	\$548.17	\$541.43	2.63%	\$534.12	\$541.43	1.37%	-\$14.05	\$0.00
MU	Retiree > 65 with both Parts A & B of Medicare & Dependent < 65	\$548.17	\$541.43	2.63%	\$534.12	\$541.43	1.37%	-\$14.05	\$0.00
MM	Retiree & Dependent both > 65 with both Parts A & B of Medicare	\$1,096.33	\$1,082.86	2.63%	\$1,068.24	\$1,082.86	1.37%	-\$28.09	\$0.00
Retiree and Family (Family = 2 or more dependents)								(from PSR)	
UMU	Retiree < 65 & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$548.17	\$541.43	2.63%	\$534.12	\$541.43	1.37%	-\$14.05	\$0.00
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$548.17	\$541.43	2.63%	\$534.12	\$541.43	1.37%	-\$14.05	\$0.00
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$1,096.33	\$1,082.86	2.63%	\$1,068.24	\$1,082.86	1.37%	-\$28.09	\$0.00
MMM	Retiree & Two Dependent both > 65 with both Parts A & B of Medicare	\$1,644.50	\$1,624.29	2.63%	\$1,602.36	\$1,624.29	1.37%	-\$42.14	\$0.00

* These rates include the Silver Sneakers program.

** Acupuncture upgrade - Anthem will align the Acupuncture benefits for the plans with the Chiro benefit (co-pay and number of visits) with no change to benefit.

*** Medicare prescription drug coverage – Both plans currently have the same maximum member copay in the catastrophic phase. □

KAISER Rates

Kaiser		Carrier Rates			Member Rates			Amount to 401(h)/115 Trust	
HMO		2019	2020	% Change	2019	2020	% Change	2019	2020
Retiree Only									
U	Retiree < 65 or > 65 with only Part B of Medicare	\$830.44	\$813.14	-2.08%	\$853.39	\$853.39	0.00%	\$22.95	\$40.25
M	Retiree with Medicare	\$262.47	\$254.83	-2.91%	\$262.47	\$262.47	0.00%	\$0.00	\$7.64
Retiree and One Dependent									
UU	Retiree & Dependent both < 65	\$1,660.88	\$1,626.28	-2.08%	\$1,706.78	\$1,706.78	0.00%	\$45.90	\$80.50
UM	Retiree < 65 & Dependent with both Parts A&B of Medicare	\$1,092.91	\$1,067.97	-2.28%	\$1,115.86	\$1,115.86	0.00%	\$22.95	\$47.89
MU	Retiree > 65 with both Parts A&B of Medicare & Dependent < 65	\$1,092.91	\$1,067.97	-2.28%	\$1,115.86	\$1,115.86	0.00%	\$22.95	\$47.89
MM	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$524.94	\$509.66	-2.91%	\$524.94	\$524.94	0.00%	\$0.00	\$15.28
Retiree and Family (Family = 2 or more dependents)									
UUU	Retiree & Dependents all < 65	\$2,159.14	\$2,114.16	-2.08%	\$2,218.82	\$2,218.82	0.00%	\$59.68	\$104.66
UMU	Retiree < 65 & One Dependent > 65 with both Parts A&B of Medicare, & Dependents without Medicare	\$1,591.17	\$1,556.04	-2.21%	\$1,627.90	\$1,627.90	0.00%	\$36.73	\$71.86
MUU	Retiree > 65 with both Parts A&B of Medicare & Dependents without Medicare	\$1,591.17	\$1,556.04	-2.21%	\$1,627.90	\$1,627.90	0.00%	\$36.73	\$71.86
MMU	Retiree & One Dependent > 65 with both Parts A&B of Medicare & at least One Dependent without Medicare	\$1,023.20	\$997.73	-2.49%	\$1,036.98	\$1,036.98	0.00%	\$13.78	\$39.25
MMM	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$786.81	\$764.49	-2.84%	\$786.81	\$786.81	0.00%	\$0.00	\$22.32

* These rates include the Silver Sneakers program.

** Acupuncture upgrade U=\$0.48, UU=\$0.96, UUU-\$1.25, Senior Advantage M=\$0.48

*** Medicare Advantage prescription drug coverage – there is no catastrophic stage, all drugs are covered at the applicable copayment. □

UHC Rates

UHC		Carrier Rates			Member Rates			Amount to 401(h)/115 Trust	
HMO MAPD with RX - (Assumes Current Plan)		2019	2020	% Change	2019	2020	% Change	2019	2020
California									
M	Retiree with Medicare	\$250.55	\$269.12	7.41%	\$265.30	\$269.12	1.44%	\$14.75	\$0.00
MM	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$501.10	\$538.24	7.41%	\$530.60	\$538.24	1.44%	\$29.50	\$0.00
MMM	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$751.65	\$807.36	7.41%	\$795.90	\$807.36	1.44%	\$44.25	\$0.00
Nevada									
M	Retiree with Medicare	\$221.37	\$240.29	8.55%	\$236.47	\$240.29	1.62%	\$15.10	\$0.00
MM	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$442.74	\$480.58	8.55%	\$472.94	\$480.58	1.62%	\$30.20	\$0.00
MMM	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$664.11	\$720.87	8.55%	\$709.41	\$720.87	1.62%	\$45.30	\$0.00
Arizona									
M	Retiree with Medicare	\$321.54	\$340.06	5.76%	\$336.24	\$340.06	1.14%	\$14.70	\$0.00
MM	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$643.08	\$680.12	5.76%	\$672.48	\$680.12	1.14%	\$29.40	\$0.00
MMM	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$964.62	\$1,020.18	5.76%	\$1,008.72	\$1,020.18	1.14%	\$44.10	\$0.00

* With Acupuncture \$3.82 PMPM

** The rates (Duplicating the 2018 rate) include coverage in the Catastrophic Stage, member will continue to pay their standard copay when they reach this stage.

SCAN Rates

SCAN		Carrier Rates			Member Rates			Amount to 401(h)/115 Trust	
HMO		2019	2020	% Change	2019	2020	% Change	2019	2020
M	Retiree with Medicare	\$259.81	\$259.81	0.00%	\$259.81	\$259.81	0.00%	\$0.00	\$0.00
MM	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$519.62	\$519.62	0.00%	\$519.62	\$519.62	0.00%	\$0.00	\$0.00
MMM	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$779.43	\$779.43	0.00%	\$779.43	\$779.43	0.00%	\$0.00	\$0.00

* SCAN will add the acupuncture benefit without a rate impact for 2020

** SCAN members pay the same copay through the CP

Delta Dental Rates

Delta Dental		Self-Funded Fee and Equivalent Rates			Member Rates			Amount to 401(h)/115 Trust	
Dental		2019	2020	% Change	2019	2020	% Change	2019	2020
Dental PPO									
	Dental ASO Fee PEPM	\$5.10	\$5.10	0.00%					
M	Retiree	\$51.16	\$51.16	0.00%	\$51.16	\$51.16	0.00%	\$0.00	\$0.00
MM	Retiree & Dependent	\$101.45	\$101.45	0.00%	\$101.45	\$101.45	0.00%	\$0.00	\$0.00
MMM	Retiree & Two Dependents	\$146.56	\$146.56	0.00%	\$146.56	\$146.56	0.00%	\$0.00	\$0.00
DHMO									
M	Retiree	\$13.57	\$14.38	5.97%	\$13.57	\$14.38	5.97%	\$0.00	\$0.00
MM	Retiree & Dependent	\$25.33	\$26.85	6.00%	\$25.33	\$26.85	6.00%	\$0.00	\$0.00
MMM	Retiree & Two Dependents	\$29.28	\$31.04	6.01%	\$29.28	\$31.04	6.01%	\$0.00	\$0.00
* Delta Dental PPO rates represent Premium Equivalent Rates, the self-funded ASO fee is \$5.10 per retiree per month for 3 years.									
** Through the first 6 months of 2019, Total Premium has exceeded Total Cost and IBNR Reserve by \$239,308 which could be applied to the 115 Trust upon close of the plan year.									

Anthem Blue View Vision Rates

Anthem Blue View Vision		Carrier Rates			Member Rates			Amount to 401(h)/115 Trust	
Vision		2019	2020	% Change	2019	2020	% Change	2019	2020
Option 1 - 1 Year rate Guarantee								(from PSR)	
M	Retiree	\$8.70	\$9.05	4.02%	\$8.39	\$9.05	7.87%	-\$0.31	\$0.00
MM	Retiree & Dependent	\$12.62	\$13.12	3.96%	\$12.18	\$13.12	7.72%	-\$0.44	\$0.00
MMM	Retiree & Two Dependents	\$22.54	\$23.44	3.99%	\$21.75	\$23.44	7.77%	-\$0.79	\$0.00
Option 2 - 3 Year rate Guarantee								(from PSR)	
M	Retiree	\$8.70	\$9.14	5.06%	\$8.39	\$9.14	8.94%	-\$0.31	\$0.00
MM	Retiree & Dependent	\$12.62	\$13.25	4.99%	\$12.18	\$13.25	8.78%	-\$0.44	\$0.00
MMM	Retiree & Two Dependents	\$22.54	\$23.67	5.01%	\$21.75	\$23.67	8.83%	-\$0.79	\$0.00

Delta Dental – PPO Plan Experience



**Los Angeles City Employees' Retirement System
Premium and Claims Report as of June 2019
Delta Dental - DPPO**

	A	B	C	D	E (C+D)	F (C/A)	G (C/B)	H (E/B)
PERIOD MONTH-YEAR	ENROLLEES	PREMIUM	PAID CLAIMS	DELTA ADMIN	TOTAL EXPENSE	AVERAGE CLAIM COST PEPM	CLAIMS LOSS RATIO	TOTAL EXPENSE LOSS RATIO
Jul-17	11,169	\$755,495	\$559,403	\$58,405	\$617,808	\$50.09	74.04%	81.78%
Aug-17	11,219	\$755,582	\$646,752	\$58,412	\$705,164	\$57.65	85.60%	93.33%
Sep-17	11,239	\$759,484	\$516,462	\$58,714	\$575,176	\$45.95	68.00%	75.73%
Oct-17	11,277	\$767,756	\$623,676	\$59,353	\$683,029	\$55.31	81.23%	88.96%
Nov-17	11,289	\$767,313	\$589,083	\$59,319	\$648,401	\$52.18	76.77%	84.50%
Dec-17	11,291	\$768,429	\$608,978	\$59,405	\$668,383	\$53.93	79.25%	86.98%
Jan-18	11,351	\$773,262	\$918,160	\$67,292	\$985,452	\$80.89	118.74%	127.44%
Feb-18	11,391	\$772,317	\$720,511	\$51,819	\$772,330	\$63.25	93.29%	100.00%
Mar-18	11,419	\$772,477	\$736,277	\$59,718	\$795,996	\$64.48	95.31%	103.04%
Apr-18	11,462	\$776,696	\$689,322	\$60,044	\$749,367	\$60.14	88.75%	96.48%
May-18	11,525	\$780,075	\$714,306	\$60,306	\$774,612	\$61.98	91.57%	99.30%
Jun-18	11,558	\$792,008	\$613,328	\$61,228	\$674,557	\$53.07	77.44%	85.17%
Jul-18	11,586	\$788,684	\$563,379	\$60,971	\$624,351	\$48.63	71.43%	79.16%
Aug-18	11,633	\$789,959	\$641,636	\$61,070	\$702,706	\$55.16	81.22%	88.95%
Sep-18	11,685	\$795,379	\$555,328	\$61,489	\$616,817	\$47.52	69.82%	77.55%
Oct-18	11,710	\$799,546	\$621,293	\$61,811	\$683,104	\$53.06	77.71%	85.44%
Nov-18	11,697	\$802,303	\$544,462	\$62,024	\$606,486	\$46.55	67.86%	75.59%
Dec-18	11,688	\$798,124	\$566,352	\$61,701	\$628,053	\$48.46	70.96%	78.69%
Jan-19	11,821	\$835,386	\$545,725	\$60,231	\$605,956	\$46.17	65.33%	72.54%
Feb-19	11,835	\$835,539	\$737,068	\$60,399	\$797,467	\$62.28	88.21%	95.44%
Mar-19	11,878	\$838,779	\$700,291	\$60,542	\$760,833	\$58.96	83.49%	90.71%
Apr-19	11,965	\$845,753	\$642,973	\$60,965	\$703,938	\$53.74	76.02%	83.23%
May-19	11,983	\$846,247	\$781,973	\$61,210	\$843,184	\$65.26	92.40%	99.64%
Jun-19	11,956	\$843,947	\$610,363	\$61,373	\$671,736	\$51.05	72.32%	79.59%
2015	10,515	\$8,426,419	\$7,197,654	\$651,423	\$7,849,077	\$57.04	85.42%	93.15%
2016	10,794	\$8,740,608	\$7,457,163	\$675,714	\$8,132,877	\$57.57	85.32%	93.05%
2017	11,152	\$9,054,216	\$7,621,293	\$699,957	\$8,321,250	\$56.95	84.17%	91.90%
2018	11,559	\$9,440,831	\$7,884,355	\$729,476	\$8,613,831	\$56.84	83.51%	91.24%
2019 YTD	11,906	\$5,045,651	\$4,018,393	\$364,721	\$4,383,114	\$56.25	79.64%	86.87%
Current 12 Months	11,786	\$9,819,647	\$7,510,843	\$733,789	\$8,244,632	\$53.10	76.49%	83.96%

Acknowledgement

Keenan & Associates would like to thank Ms. Lita Payne, Mr. Alex Rabrenovich, and the LACERS Health Benefits Administration staff for providing the necessary data and engaging in this renewal process. Their cooperation and guidance have been extremely valuable.

Questions and Answers

LACERS HISTORICAL MEDICAL COST INCREASES THROUGH 2020

BAC Meeting: 08/13/19
Item IV
Attachment 2

Medical Plan	1999	2000	2001	2002	2003	2004
Kaiser Senior Advantage Premium Rate Increase					51.35%	59.34%
Anthem Medicare Supplement/ LPP0 Premium Rate Increase*					0.10%	15.40%
UnitedHealthcare -CA MAPD Premium Rate Increase					72.87%	7.81%
Kaiser HMO Premium Rate Increase		47.48%	4.49%	7.62%	17.71%	1.72%
Anthem PPO Premium Rate Increase					-12.16%	5.92%
Aggregate Medical Premium Cost Increase				17.00%	16.10%	18.20%
Assumed Actuarial Trend Rate	8.13%	7.88%	7.63%	8.13%	7.88%	7.63%

Medical Plan	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Kaiser Senior Advantage Premium Rate Increase	-20.11%	-27.61%	6.43%	6.50%	3.69%	8.71%	-0.19%	2.70%	2.47%	5.32%	4.03%	-1.90%	6.60%	4.90%
Anthem Medicare Supplement/ LPP0 Premium Rate Increase	5.00%	-11.20%	14.00%	11.90%	6.80%	1.30%	9.40%	-11.80%	7.10%	8.90%	6.30%	-6.90%	3.80%	7.30%
UnitedHealthcare -CA MAPD Premium Rate Increase	-4.00%	-19.24%	-6.64%	3.00%	13.40%	11.75%	11.40%	10.88%	0.00%	0.00%	3.00%	3.00%	1.70%	5.00%
SCAN HMO Premium Rate Increase		-2.00%	22.90%	0.00%	0.00%	-9.40%	0.00%	-0.50%	0.00%	16.30%	0.00%	0.00%	3.90%	0.00%
Kaiser HMO Premium Rate Increase	6.97%	5.17%	7.34%	3.95%	9.60%	0.28%	5.92%	-0.17%	14.84%	7.06%	7.95%	-5.06%	10.50%	3.30%
Anthem HMO Premium Rate Increase	0.00%	2.78%	15.88%	2.19%	6.50%	11.80%	11.81%	6.00%	3.00%	11.70%	8.40%	9.42%	-2.00%	7.40%
Anthem PPO Premium Rate Increase	-10.47%	2.89%	19.98%	4.97%	6.80%	5.32%	7.91%	0.00%	7.50%	6.92%	-5.66%	0.00%	10.30%	7.50%
Aggregate Medical Premium Cost Increase	-5.21%	-6.22%	12.47%	5.71%	7.08%	4.47%	6.16%	0.23%	7.92%	7.44%	4.77%	-1.89%	6.49%	5.40%
Assumed Actuarial Trend Rate	9.63%	12.00%	12.00%	12.00%	9.00%	9.00%	9.00%	10.00%	9.00%	8.50%	8.00%	7.00%	6.75%	6.50%

Medical Plan	2019	2020	10-Yr Avg, Incl 2020	Historical Avg
Kaiser Senior Advantage Premium Rate Increase	2.03%	-3.10%	2.29%	6.17%
Anthem Medicare Supplement/ LPP0 Premium Rate Increase	0.00%	-1.20%	2.29%	3.68%
UnitedHealthcare -CA MAPD Premium Rate Increase	0.00%	7.50%	4.25%	6.75%
SCAN HMO Premium Rate Increase	0.00%	0.00%	1.97%	2.08%
Kaiser HMO Premium Rate Increase	0.00%	-2.10%	4.22%	7.36%
Anthem HMO Premium Rate Increase	-9.66%	9.10%	5.52%	5.90%
Anthem PPO Premium Rate Increase	0.00%	0.30%	3.48%	3.22%
Aggregate Medical Premium Cost Increase	-0.79%	-0.10%	3.56%	5.54%
Assumed Actuarial Trend Rate	7.00%	7.00%	7.88%	8.62%

*2005 to 2011: Anthem Medicare Supplement
2011 to 2012: Anthem LPP0 Medicare Preferred PPO
2014 to Present: Anthem Medicare Supplement



REPORT TO BOARD OF ADMINISTRATION

From: Benefits Administration Committee
Michael R. Wilkinson, Chair
Sandra Lee
Nilza R. Serrano

MEETING: AUGUST 27, 2019
ITEM: VIII-B

SUBJECT: 2020 MAXIMUM SUBSIDIES AND REIMBURSEMENT AMOUNTS AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board approve the following 2020 maximum subsidies and reimbursement amounts:

- 1) A maximum medical plan premium subsidy of \$1,790.80 for Tier 1 Discretionary and Vested Retired Members under Age 65 or enrolled in a Medicare Part B only;
- 2) A maximum reimbursement of \$1,790.80 for Tier 1 Discretionary and Vested Retired Members under Age 65 or with Medicare Part B only, enrolled in the Medical Premium Reimbursement Program;
- 3) A maximum reimbursement of \$550.57 for Tier 1 Discretionary and Vested, and Tier 3 Retired Members, with Medicare Parts A and B, and enrolled in the Medical Premium Reimbursement Program; and
- 4) A maximum dental subsidy of \$44.60 for Tier 1 and Tier 3 Retired Members.

Executive Summary

LACERS provides a variety of health benefits to Retired Members in the forms of subsidies and reimbursements. The Board's role in setting the maximum retiree health subsidies and the Medical Premium Reimbursement Program (MPRP) reimbursement amounts differs based on Los Angeles Administrative Code provisions. Limits on increases to subsidies and reimbursements are based on different factors, including rates of increase on certain medical plans and LACERS' performance compared with the assumed actuarial medical trend rate.

Discussion

At the Committee's meeting on August 13, 2019, staff presented the recommended 2020 maximum subsidy and reimbursement amounts, as detailed in the attached Benefits Administration Committee report. The Committee approved staff's recommendation to forward these to the Board for adoption.

Strategic Plan Impact Statement

Timely adoption of health benefits allows staff to: 1) Develop Member communications that provide Members sufficient time to make informed health plan decisions; and, 2) update systems in time for the new plan year so that subsidies and reimbursements can be applied correctly. These align with Strategic Plan Goals II (Benefit Delivery Goal – Accurate and timely delivery of member benefits) and V (Board Governance Goal – Uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Bruce Bernal, Senior Personnel Analyst II

MRW/BB:bb

Attachments: 1) August 13, 2019, Benefits Administration Committee Report
2) Proposed Resolution



REPORT TO BENEFITS ADMINISTRATION COMMITTEE

MEETING: AUGUST 13, 2019

From: Neil M. Guglielmo, General Manager

ITEM: V

Neil M. Guglielmo

SUBJECT: 2020 MAXIMUM SUBSIDY AND REIMBURSEMENT AMOUNTS AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend the Board approve the following:

- 1) A maximum medical plan premium subsidy of \$1,790.80 for Tier 1 Discretionary and Vested Retired Members under Age 65 or enrolled in a Medicare Part B only;
- 2) A maximum reimbursement of \$1,790.80 for Tier 1 Discretionary and Vested Retired Members under Age 65 or with Medicare Part B only, enrolled in the Medical Premium Reimbursement Program;
- 3) A maximum reimbursement of \$550.57 for Tier 1 Discretionary and Vested, and Tier 3 Retired Members, with Medicare Parts A and B, and enrolled in the Medical Premium Reimbursement Program; and
- 4) A maximum dental subsidy of \$44.60 for Tier 1 and Tier 3 Retired Members.

Executive Summary

LACERS provides a variety of health benefits to Retired Members in the forms of subsidies and reimbursements. The Board's role in setting the maximum retiree health subsidies and the Medical Premium Reimbursement Program (MPRP) reimbursement amounts differs based on Los Angeles Administrative Code provisions listed in Attachment 1. Limits on increases to subsidies and reimbursements are based on different factors, including rates of increase on certain medical plans and LACERS' performance compared with the assumed actuarial medical trend rate (Attachment 2).

Discussion

LACERS administers two tiers of retirement and health benefits.

Tier 1 benefits are available to City employees who were hired prior to February 21, 2016. For Tier 1 retiree medical benefits, there are three categories of Retired Members:

- 1) Discretionary – these Members retired on or before June 30, 2011;

- 2) Vested – these Members retired on or after July 1, 2011, and made additional contributions to LACERS; and,
- 3) Capped – these Members retired on or after July 1, 2011, and did not make additional contributions to LACERS.

Tier 3 retiree medical benefits are available to retired City employees who were hired on or after February 21, 2016.

Established by Ordinance and Do Not Require Board Action

Maximum Medical Plan Premium Subsidies and MPRP Reimbursement Amounts for Tier 1 Capped Retired Members and their Survivors

All medical benefit amounts for these Members and their Survivors are capped at 2011 amounts. The medical subsidy that may be used toward premium costs of covering a dependent is also capped.

Maximum Medical Plan Premium Subsidies for Tier 1 Discretionary and Vested, and Tier 3 Retired Members, Enrolled in Medicare Parts A and B

The maximum subsidy is based on the single-party premium of the LACERS plan in which the Retired Member is enrolled.

Maximum Medical Plan Premium Subsidy and MPRP Reimbursement Amount for Tier 3 Retired Members Under Age 65 or Enrolled in Medicare Part B Only

The maximum subsidy and reimbursement amount is based on the Kaiser two-party non-Medicare Parts A and B premium.

Survivor Medical Plan Premium Subsidies and MPRP Reimbursement Amounts for Tier 1 and Tier 3 Retired Members

A Survivor's subsidy amount is based on the Retired Member's years of Service Credit.

- *Survivors Under Age 65 or Enrolled in Medicare Part B Only* – The maximum Survivor subsidy is set by Ordinance and is equal to the single-party premium of the lowest-cost non-Medicare plan. The lowest-cost LACERS non-Medicare plan is the Kaiser Permanente HMO.
- *Survivors Enrolled in Medicare Parts A and B* – The maximum subsidy is set at the single-party premium of the LACERS plan in which the Survivor is enrolled.

Established by Board Resolution

Medical Plan Premium Subsidies

The recommended Maximum Medical Plan Premium Subsidy amounts for the following are:

- Tier 1 Vested Retired Members Under Age 65 or Enrolled in Medicare Part B Only
- Tier 1 Discretionary Retired Members Under Age 65 or Enrolled in Medicare Part B Only

For Vested Retired Members, increases to the maximum subsidy are no less than the increase to the Kaiser non-Medicare two-party plan premium. The Board has the option to apply the same subsidy increase to Discretionary Retired Members, as long as the increase remains within the Board's authority, as established in Section 4.1111(b) of the Los Angeles Administrative Code (LAAC). For 2020, the applicable Kaiser premium rate will have a slight decrease, so staff recommends that the current maximum subsidy of \$1,790.80 be retained.

Medical Premium Reimbursement Program (MPRP) Reimbursement Maximums

The MPRP is available to Retired Members and Survivors who live outside of California or a LACERS HMO zip code service area. In order to participate, Members enroll in an individual plan and submit proof of premium payment to LACERS. LACERS reimburses premium costs up to the Member's subsidy amount on a quarterly basis.

The recommended Maximum MPRP Reimbursement amounts for the following are:

- Tier 1 Discretionary and Vested Retired Members Under Age 65 or Enrolled in Medicare Part B Only

The maximum MPRP reimbursement amounts are set similar to the medical subsidies. Given the recommendation to retain the maximum medical subsidy at \$1,790.80, it is recommended that the same maximum be applied toward MPRP reimbursements. This will provide Members that are unable to access a LACERS HMO the same amount of subsidy dollars to apply toward non-LACERS medical coverage.

- Tier 1 Discretionary and Vested Retired Members, and Tier 3 Members, Enrolled in Medicare Parts A and B

Pursuant to the Los Angeles Administrative Code, the Board has the authority to increase the maximum reimbursement amount to an amount not to exceed the one-party premium of LACERS' highest cost Medicare plan. In 2020, the monthly premium for LACERS' highest-cost single-party Medicare Parts A and B medical plan, Anthem Blue Cross Life & Health Medicare Plan, will be \$550.57. Staff recommends the maximum reimbursement for MPRP participants enrolled in Medicare Parts A and B be set at \$550.57.

Overall Member Impact

The chart below shows the average subsidy and deduction amounts covered Members realized in 2019 and how they will change based on 2020 subsidy decisions. The results demonstrate the impact on Members overall. However, those enrolled in the Anthem Blue Cross HMO plan with two-party coverage will experience an increase in their premium deductions from their monthly allowance. Those receiving the maximum subsidy will see their deductions increase by \$174, from \$109 to \$283. Members who are enrolled in SCAN or UHC and covering a non-Medicare dependent in the Anthem HMO plan will also experience a similar increase in the monthly allowance deduction.

Member Status	2020 Estimated Population	2019 Subsidy \$1,790.80		2020 Subsidy \$1,790.80	
		Avg. Monthly Subsidy	Avg. Monthly Deduction	Avg. Monthly Subsidy	Avg. Monthly Deduction
Non-Medicare Retiree	4,615	\$1,112.24	\$53.16	\$1,115.69	\$65.88
Non-Medicare Survivor	231	\$689.35	\$117.49	\$689.71	\$133.16
Medicare Retiree	8,612	\$499.52	\$38.68	\$500.56	\$39.77
Medicare Survivor	1,582	\$338.69	\$14.97	\$340.98	\$16.44
All Covered Members	15,040	\$671.12	\$41.72	\$686.71	\$46.38

Dental Plan Premium Subsidy

Maximum Retiree Dental Plan Premium Subsidy for Tier 1 and Tier 3 Retired Members

The Retired Member maximum dental plan premium subsidy cannot exceed the maximum dental plan premium subsidy for Active Members. The maximum dental plan subsidy for Active Members of LACERS for plan year 2020 will remain unchanged at \$44.60 per month. It is recommended that the maximum dental subsidy for Tier 1 and Tier 3 Retired Members be retained at \$44.60.

Strategic Plan Impact Statement

Timely adoption of health benefits allows staff to: 1) Develop Member communications that provide Members sufficient time to make informed health plan decisions; and, 2) update systems in time for the new plan year so that subsidies and reimbursements can be applied correctly. These align with Strategic Plan Goals II (Benefit Delivery Goal – Accurate and timely delivery of member benefits) and V (Board Governance Goal – Uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Alex Rabrenovich, Chief Benefits Analyst, and Bruce Bernal, Senior Personnel Analyst, of the Health Benefits Administration and Communications Division.

NMG/LP/AR:bb

- Attachments:
- 1) How LACERS Health Subsidy and Reimbursement Amounts Are Set – 2020
 - 2) LACERS Medical Plan Premium Subsidy for Tier 1 Discretionary Retired Members
 - 3) LACERS Historical Medical Subsidy Costs

HOW LACERS HEALTH SUBSIDY AND REIMBURSEMENT AMOUNTS ARE SET

Benefit Type	Tier 1 Retired Before July 1, 2011 "Discretionary"	Tier 1 Retired After July 1, 2011, "Vested"	Tier 1 Retired After July 1, 2011, "Capped"	Tier 3
Retiree Medical Subsidy, Under 65 or Medicare Part B Only	Board Resolution	Board Resolution	Ordinance	Ordinance
Retiree Medical Subsidy, Medicare Parts A and B	Ordinance	Ordinance	Ordinance	Ordinance
Retiree Medical Premium Reimbursement Program Reimbursement, Under 65 or Medicare Part B Only	Board Resolution	Board Resolution	Ordinance	Ordinance
Retiree Medical Premium Reimbursement Program Reimbursement, Medicare Parts A and B	Board Resolution	Board Resolution	Ordinance	Board Resolution
Retiree Dental Subsidy	Board Resolution	Board Resolution	Board Resolution	Board Resolution
Survivor Medical Subsidy, Under 65 or Medicare Part B Only	Ordinance	Ordinance	Ordinance	Ordinance
Survivor Medical Subsidy, Medicare Parts A and B	Ordinance	Ordinance	Ordinance	Ordinance
Survivor Medical Premium Reimbursement Program Reimbursement, Under 65 or Medicare Part B Only	Ordinance	Ordinance	Ordinance	Ordinance
Survivor Medical Premium Reimbursement Program Reimbursement, Medicare Parts A and B	Ordinance	Ordinance	Ordinance	Ordinance

LACERS MEDICAL PLAN PREMIUM SUBSIDY FOR TIER 1 DISCRETIONARY RETIRED MEMBERS

The LACERS Board has the authority to increase the maximum medical plan premium subsidy by the amount of the increase in the Kaiser Permanente HMO (non-Medicare) two-party premium. If the three-year average increase in the subsidy is greater than the three-year average assumed actuarial medical trend rate for the same period, the increase must be approved by City Council. City Council may set the increase at any other amount.

The table below shows by how much the Board may increase the 2020 maximum subsidy before hitting the cap imposed by the three-year average assumed actuarial medical trend rate.

	<u>Assumed Actuarial Trend Rate*</u>	<u>% Increase</u>	<u>Max. Medical Subsidy Amt. (Cap)</u>
2020	7.00%	17.2%	\$2,098.64**
2019	7.00%	0.0%	\$1,790.80
2018	6.50%	3.3%	\$1,790.80
3-yr Average	6.83%	6.83%	

*The assumed actuarial medical trend rates for coming years may be adjusted during each valuation and may alter the information contained in these tables.

**For the 2020 plan year, the LACERS Board could approve a two-party Kaiser non-Medicare HMO premium increase of up to 17.2% without requiring City Council approval for the associated subsidy increase.

LACERS HISTORICAL MEDICAL SUBSIDY COSTS

BAC Meeting: 08/13/19
Item V
Attachment 3

Year	1999	2000	2001	2002	2003	2004	2005	2005	2007
Maximum Monthly Medical Subsidy	\$508.00	\$702.00	\$702.00	\$751.00	\$872.00	\$883.00	\$883.00	\$883.00	\$983.00
Dollar Increase - Maximum Subsidy		\$194.00	\$0.00	\$49.00	\$121.00	\$11.00	\$0.00	\$0.00	\$100.00
% Increase - Maximum Subsidy		38.2%	0.0%	7.0%	16.1%	1.3%	0.0%	0.0%	11.3%
Kaiser 2-Party	\$409.84	\$604.44	\$631.56	\$679.68	\$800.08	\$813.87	\$870.56	\$870.56	\$982.74
Dollar Increase - Kaiser 2-Party		\$194.60	\$27.12	\$48.12	\$120.40	\$13.79	\$56.69	\$0.00	\$112.18
% Increase - Kaiser 2-Party		47.5%	4.5%	7.6%	17.7%	1.7%	7.0%	0.0%	12.9%
Aggregate Medical Premium Increase				17.0%	16.1%	18.2%	-5.2%	-5.2%	12.5%
% Premium Cost Subsidized	38.9%	91.0%	88.4%	90.8%	93.9%	92.0%	92.4%	92.4%	91.1%

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Maximum Monthly Medical Subsidy	\$1,022.00	\$1,120.00	\$1,123.00	\$1,190.00	\$1,190.00	\$1,367.00	\$1,464.00	\$1,580.08	\$1,580.08	\$1,736.88	\$1,790.80	\$1,790.80	\$1,790.80
Dollar Increase - Maximum Subsidy	\$39.00	\$98.00	\$3.00	\$67.00	\$0.00	\$177.00	\$97.00	\$116.08	\$0.00	\$156.30	\$53.92	\$0.00	\$0.00
% Increase - Maximum Subsidy	4.0%	9.6%	0.3%	6.0%	0.0%	14.9%	7.1%	7.9%	0.0%	9.9%	3.1%	0.0%	0.0%
Kaiser 2-Party	\$1,021.54	\$1,118.58	\$1,122.74	\$1,189.22	\$1,187.24	\$1,363.44	\$1,459.66	\$1,575.74	\$1,496.06	\$1,652.86	\$1,706.78	\$1,660.88	\$1,626.28
Dollar Increase - Kaiser 2-Party	\$38.80	\$98.04	\$3.16	\$66.48	(\$1.26)	\$176.20	\$96.22	\$116.08	(\$79.68)	\$156.80	\$53.92	(\$107.46)	(\$34.60)
% Increase - Kaiser 2-Party	3.9%	9.6%	0.3%	5.9%	-0.2%	14.8%	7.1%	8.0%	-5.1%	10.5%	3.3%	-2.7%	-2.1%
Aggregate Medical Premium Increase	5.7%	7.1%	4.5%	6.2%	0.2%	7.9%	7.4%	4.8%	4.8%	6.5%	5.4%	-1.2%	1.0%
% Premium Cost Subsidized	91.6%	92.5%	91.8%	91.3%	90.9%	92.7%	92.5%	94.0%	94.0%	94.3%	93.7%	94.2%	93.8%

MAXIMUM HEALTH PLAN SUBSIDIES AND REIMBURSEMENT AMOUNTS
FOR PLAN YEAR 2020

PROPOSED RESOLUTION

WHEREAS, the Los Angeles Administrative Code establishes that the Los Angeles City Employees' Retirement System (LACERS) provide health and welfare programs for retired employees and their eligible dependents;

WHEREAS, Section 4.1111(b) of the Los Angeles Administrative Code provides that by resolution, the Board of Administration may change the maximum monthly medical subsidy for eligible Tier 1 retirees who retired before July 1, 2011, so long as any increase does not exceed the dollar increase in the Kaiser two-party non-Medicare plan premium and the average percentage increase for the first year of the increase and the preceding two years does not exceed the average assumed actuarial medical trend rate for the same period;

WHEREAS, Section 4.1111(c) of the Los Angeles Administrative Code provides that by resolution, the Board of Administration shall, for Tier 1 retirees what at any time prior to retirement made additional contributions to LACERS as provided in Section 4.1003(c) of the Los Angeles Administrative Code, set the increase in the maximum medical plan premium subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and B premium;

WHEREAS, Sections 4.1112(b) and 4.1112(d) of the Los Angeles Administrative Code provide that by resolution, the Board of Administration may increase the monthly reimbursement maximum of eligible retirees participating in the Medical Premium Reimbursement Program;

WHEREAS, Section 4.1114(a) of the Los Angeles Administrative Code provides the Board of Administration may, in its discretion, decrease or increase the maximum retiree dental plan subsidy to reflect changes in the dental plan subsidy provided to active City of Los Angeles employees;

WHEREAS, on August 13, 2019, the Benefits Administration Committee approved forwarding staff's recommended maximum medical plan premium subsidy, reimbursement amounts, and dental subsidy;

WHEREAS, on August 27, 2019, the Board of Administration approved the Committee's recommendations;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Administration hereby adopts the following 2020 health benefit subsidies and reimbursements:

Benefit Type	Tier 1 Retired Before July 1, 2011 "Discretionary"	Tier 1 Retired After July 1, 2011 "Vested"	Tier 3
Retiree Medical Subsidy, <65/Medicare Part B	\$1,790.80	\$1,790.80	-
Retiree MPRP Reimbursement, <65/Medicare Part B	\$1,790.80	\$1,790.80	-
Retiree MPRP Reimbursement, Medicare Parts A and B	\$550.57	\$550.57	\$550.57
Retiree Dental Subsidy	\$44.60	\$44.60	\$44.60

August 27, 2019



REPORT TO BOARD OF ADMINISTRATION

From: Benefits Administration Committee
Michael R. Wilkinson, Chair
Sandra Lee
Nilza R. Serrano

MEETING: AUGUST 27, 2019
ITEM: VIII-C

**SUBJECT: BOARD RULE FOR MEDICAL PREMIUM REIMBURSEMENT PROGRAM
DEPENDENT REIMBURSEMENT WITH POSSIBLE BOARD ACTION**

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board adopt the Board Rule for Medical Premium Reimbursement Program Dependent Reimbursement with an effective date of July 1, 2019.

Executive Summary

This Board Rule will establish a maximum reimbursement amount for the cost of dependent medical insurance coverage to be provided to Members with Medicare Parts A and B and participating in the Medical Premium Reimbursement Program.

Discussion

At the Committee's meeting on August 13, 2019, staff presented the proposed Board rule, as detailed in the attached Benefits Administration Committee report. The Committee approved staff's recommendation to forward the rule to the Board for adoption.

Strategic Plan Impact Statement

This supports LACERS' goal of providing excellent customer service by ensuring that Members can access their benefits equally, whether participating in the Medical Premium Reimbursement Program or enrolled in LACERS health plans.

Prepared By: Alex Rabrenovich, Chief Benefits Analyst

MRW/AR:ar

Attachments: 1) August 13, 2019, Benefits Administration Committee Report
2) Proposed Resolution



BOARD Meeting: 08/27/19
Item: VIII - C
Attachment 1



REPORT TO BENEFITS ADMINISTRATION COMMITTEE

MEETING: AUGUST 13, 2019

From: Neil M. Guglielmo, General Manager

ITEM: VII

Neil M. Guglielmo

**SUBJECT: BOARD RULE FOR MEDICAL PREMIUM REIMBURSEMENT PROGRAM
DEPENDENT REIMBURSEMENT WITH POSSIBLE COMMITTEE ACTION**

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board adoption of the Board Rule for Medical Premium Reimbursement Program Dependent Reimbursement with an effective date of July 1, 2019.

Executive Summary

This Board Rule will establish a maximum reimbursement amount for the cost of dependent medical insurance coverage to be provided to Members with Medicare Parts A and B and participating in the Medical Premium Reimbursement Program.

Discussion

When Members live in a zip code that is not within the service area of a LACERS HMO medical plan, their only LACERS health plan options are the more expensive Medicare Supplement or PPO plans. In this case, the medical subsidy will not provide the same level of premium coverage and may result in unaffordable premium deductions from a Member's monthly allowance. The Medical Premium Reimbursement Program (MPRP) was created for this reason. It allows Members who do not have access to a LACERS HMO (lower cost) plan the option of enrolling in an individual plan and being reimbursed the premium cost up to their subsidy amount. Reimbursements are provided on a quarterly basis.

For Retirees with Medicare Parts A and B, the maximum reimbursement is the same as the premium of our highest cost one-party Medicare A and B plan (the Medicare Supplement plan). Depending on the plan that the Member enrolls in, this may not leave much, if any, reimbursement to be applied toward a dependent's premium. Currently, there is no MPRP reimbursement amount provided for dependents of Members with Medicare Parts A and B. However, LAAC Sec 4.1112(e)4 states that the Board shall establish the reimbursement policy for dependents of these eligible retirees.

Creating a Board Rule that allows premium reimbursement for dependents of MPRP participants enrolled in Medicare Parts A and B would bring more parity between the benefit available to those enrolled in a LACERS health plan and participants in the MPRP.

For example, a Member with 25 years of Health Service Credit enrolled in Medicare Parts A and B covering a non-Medicare dependent enrolled in the LACERS Kaiser Permanente plan would be eligible to receive a subsidy that would cover the entire premium of \$1,115.86 per month. The same Member, as a participant in the MPRP, would be eligible for a maximum reimbursement of \$542.51 per month.

For non-Medicare Members participating in the MPRP, the maximum reimbursement is equal to the maximum subsidy available to Members enrolled in a LACERS health plan. For those with Medicare Parts A and B enrolled in a single-party plan, the maximum reimbursement is also equivalent to the maximum subsidy. However, those Members with Medicare Parts A and B that are covering a dependent have a much lower reimbursement amount than the subsidy provided to Members enrolled in a LACERS plan because there is no provision for dependent reimbursement in the MPRP.

Currently, the MPRP has 271 participants and 41 of them have Medicare Parts A and B, are covering a dependent, and have a reimbursement that does not cover their premium cost. If these Members were enrolled in a LACERS medical plan, they would be eligible to receive more subsidy to apply toward their premiums.

To create more parity between the reimbursement and subsidy amounts provided to Members with Medicare Parts A and B covering a dependent, staff recommends that the Board adopt the following Board Rule:

HBA 5(h): A Member enrolled in Medicare Parts A and B, providing medical coverage for an eligible dependent, and participating in the MPRP, will be eligible to receive a total reimbursement that shall not exceed the amount of subsidy available to Members enrolled in the LACERS Kaiser Permanente Senior Advantage plan covering a non-Medicare dependent in the LACERS Kaiser Permanente HMO plan (for 2019, this amount is \$1,115.86).

Of the 41 Members with Medicare Parts A and B that are covering a spouse in the MPRP, 12 have dependents who are under age 65. The cost of coverage for these “early retirees” is relatively high compared to employees or Medicare-eligible retirees, so a dependent reimbursement is of particular interest for Members with Medicare Parts A and B covering an early retiree dependent. For these dependents, the cost of coverage will be reduced significantly once they become Medicare eligible, so the amount of reimbursement will also decrease.

Staff consulted LACERS’ actuary, The Segal Company, regarding the financial impact this would have. Because the population is small, the change would not have any effect on costs, but would have a slight impact on the savings that the MPRP generates. Segal does not currently factor this program into the annual actuarial valuation due to its size, so the slight impact on savings will not have an impact on the Unfunded Actuarial Accrued Liabilities, funded status, or employer contribution rates.

Staff recommends that this Board Rule have an effective date of July 1, 2019, for ease of administration in processing the third-quarter (July – September) reimbursements.

Staff will be available to answer questions.

Prepared By: Alex Rabrenovich, Chief Benefits Analyst

NMG/LP/AR:ar

Attachments: 1. Los Angeles Administrative Code Section 4.1112(e)4

Sec. 4.1112. Medical Premium Reimbursement Program.

The medical premium reimbursement program will be provided upon the conditions set forth below in order to lessen or defray part or all of the cost of medical plans to eligible retirees, as hereinafter defined.

(a) Eligibility for Medical Premium Reimbursement. Upon written application and verification, as required by the Board, those retirees who are receiving a service retirement benefit or disability retirement benefit from LACERS under Chapter 10, have at least ten (10) years of Service, are age fifty-five (55) years or older, and reside more than three (3) months of the year:

(1) Outside the state of California; or

(2) In the state of California, but not within a LACERS administered HMO medical plan zip code service area,

and are enrolled in a federally qualified HMO or a state regulated health insurance plan, shall be eligible for the medical plan premium reimbursement as provided in Subsection (c) or Subsection (e), as applicable.

(b) Maximum Medical Premium Reimbursement for Retirees Without Medicare Part A. The Board shall set the maximum medical plan premium reimbursement for retirees not eligible for Medicare or retirees not eligible for Medicare Part A premium free in the same manner as in Section 4.1111, Subsection (b) or Section 4.1111, Subsection (c), as applicable, of this Article.

(c) Reimbursement for Eligible Retirees Without Medicare Part A. Those retirees who are receiving a service retirement allowance or a disability retirement allowance, and who either are not eligible for Medicare or do not qualify for benefits under Part A of Medicare premium free, shall be reimbursed the following amount:

(1) Basic Monthly Reimbursement. For one (1) to ten (10) whole years of Service Credit, forty percent (40%) of the maximum monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (b) herein.

(2) Additional Monthly Reimbursement. For each additional whole year of Service Credit in excess of ten (10) years, add four percent (4%) of the maximum monthly medical plan premium reimbursement amount to the Basic Monthly Reimbursement.

(3) **Maximum Monthly Reimbursement.** The amount paid shall not exceed the maximum monthly medical plan premium reimbursement established pursuant to the provisions of Subsection (b) herein or the amount of the plan premium being reimbursed.

(4) **Dependent Reimbursement.** The monthly medical plan premium reimbursement shall be applied first to the retiree's medical plan coverage with any balance applied toward the coverage of the retiree's dependent(s) under the same medical plan.

(d) **Maximum Medical Premium Reimbursement for Retirees Enrolled in Parts A and B of Medicare.** Effective January 1, 2011, the maximum monthly medical plan premium reimbursement for retirees enrolled in Parts A and B of Medicare shall be \$480.41. The Board, in its discretion, may, by resolution, increase the monthly amount of medical plan premium reimbursement of retirees enrolled in Parts A and B of Medicare, provided that the amount of the maximum monthly medical plan premium reimbursement shall not exceed one hundred percent (100%) of the single-party monthly premium of the highest cost approved Medicare supplemental or coordinated plan provided by LACERS.

Effective July 1, 2011, no increases in the maximum reimbursement amount paid to retired members under this Subsection (d) shall be provided to members who retired on or after July 1, 2011, except that former members who terminated employment prior to July 1, 2011 and retire on or after July 1, 2011, on a deferred vested basis without returning to membership shall be entitled to increases in the maximum reimbursement amount as herein provided regardless of the date of retirement. Notwithstanding all of the foregoing, increases in the reimbursement amount provided to retired members subject to Section 4.1111(c) shall be governed by the provisions of this Subsection (d) regardless of the date of the member's retirement.

(e) **Reimbursement for Eligible Retirees Enrolled in Medicare Part A and Part B.** Those retirees who are receiving a service retirement allowance or a disability retirement allowance and who qualify for benefits under Part A and Part B of Medicare, shall be reimbursed the following amount:

(1) **Monthly Reimbursement (75%).** For one (1) whole year of Service Credit, but less than fifteen (15) whole years of Service Credit, seventy-five percent (75%) of the monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (d) herein.

(2) **Monthly Reimbursement (90%).** For fifteen (15) whole years or more but less than twenty (20) whole years of Service Credit, ninety percent (90%) of the monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (d) herein.

(3) **Monthly Reimbursement (100%).** For twenty (20) or more whole years of Service Credit, one hundred percent (100%) of the monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (d) herein.

(4) **Dependent Reimbursement.** The Board shall establish the reimbursement policy for dependents of these eligible retirees.

(f) **Payment Limitation.** In no event shall the reimbursement provided in this section, when added to any other medical plan subsidy provided by the Department of Water and Power or the Fire and Police Pension Plan, exceed the maximum amount established in Subsection (b) herein.

(g) Reimbursement for Survivors. Any person who is eligible to receive the survivor medical plan premium subsidy provided in Section 4.1115 of this Article and who lives outside the state of California or in the state of California, but not within a LACERS administered HMO medical plan zip code service area, may qualify for the medical premium reimbursement program provided in this section, except that the amount of reimbursement shall not exceed the amount that he or she would have received as a medical plan premium subsidy under Section 4.1115.

(h) Medicare Enrollment. Retirees or survivors who are eligible to enroll in Medicare Part B must do so in order to qualify for the medical premium reimbursement provided in Subsections (c), (e) and (g) of this section. Retirees or survivors who are not entitled to premium free Part A of Medicare are not required to enroll in Part A.

SECTION HISTORY

Added by Ord. No. 182,629, Eff. 7-25-13. Amended by: Ord. No. 184,134, Eff. 1-22-16.

Medical Premium Reimbursement Program Dependent Reimbursement
PROPOSED RESOLUTION

WHEREAS, the Medical Premium Reimbursement Program (MPRP) was established to provide Members that reside outside of California or within California, but outside a LACERS HMO zip code service area greater options in finding a medical insurance plan and receiving their medical plan premium subsidy;

WHEREAS, Members participating in the MPRP may enroll in and pay the monthly premiums of a qualified non-LACERS medical plan, and receive a quarterly reimbursement of their monthly premium costs up to their medical subsidy amount;

WHEREAS, the maximum amount of reimbursements available to MPRP participants is equal to the maximum medical subsidies available to Members enrolled in a LACERS medical plan, with the exception of those Members with Medicare Parts A and B;

WHEREAS, Members with Medicare Parts A and B are provided a reimbursement that is equal to the single-party premium of the highest-cost LACERS Medicare plan, but there is no provision of a reimbursement to cover the premium cost of a dependent;

WHEREAS, Members with Medicare Parts A and B that are enrolled in a LACERS medical plan are provided a subsidy to be applied toward the cost of a dependent;

WHEREAS, at the August 13, 2019, Benefits Administration Committee meeting, the Committee approved forwarding a Board rule that provides Members with Medicare Parts A and B a reimbursement of premium costs associated with their medical plan dependent;

NOW, THEREFORE, BE IT RESOLVED that the Board hereby adopts the following Board rule:

HBA 5(h): A Member enrolled in Medicare Parts A and B, providing medical coverage for an eligible dependent, and participating in the MPRP, will be eligible to receive a total reimbursement that shall not exceed the amount of subsidy available to Members enrolled in the LACERS Kaiser Permanente Senior Advantage plan covering a non-Medicare dependent in the LACERS Kaiser Permanente HMO plan (for 2019, this amount is \$1,115.86).

August 27, 2019



REPORT TO BOARD OF ADMINISTRATION

From: Benefits Administration Committee
Michael R. Wilkinson
Sandra Lee
Nilza R. Serrano

MEETING: AUGUST 27, 2019
ITEM: VIII – D

SUBJECT: DISABILITY MEDICAL EVALUATION SERVICE PROVIDER REQUEST FOR PROPOSAL – PROPSER RECOMMENDATIONS AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

- (1) Approve the Committee’s recommendation to award Disability Medical Evaluation Services contracts to QTC Medical Group, Inc. and Mitchell International dba MCN for three-year terms, with the option to renew for an additional three years;
- (2) Approve the contract awards up to \$220,000 in total for all contracted services per year starting with Fiscal Year 2019/2020; and,
- (3) Authorize the General Manager to determine the individual contract amounts up to the budgeted amount of \$220,000 per year for both contracts, and negotiate and execute contract terms.

Discussion

On August 13, 2019, the Committee considered and approved the staff recommendation on the Request for Proposal issued for Disability Medical Evaluation Services. The purpose of the RFP was to secure professional and affordable independent medical evaluation services to assist LACERS in determining the medical status of disability retirement applicants. The Committee report detailing staff’s recommendation is attached.

Strategic Plan Impact Statement

This contract award to provide disability medical evaluation services conforms to the Benefit Delivery goal of ensuring accurate and timely delivery of member benefits.

Prepared By: Ferralyn Sneed, Senior Management Analyst, Retirement Services Division

NMG:KF:FS

Attachments: 1. Proposed Resolution
2. BAC Report from August 13, 2019

CONTRACT AWARD TO
QTC MEDICAL GROUP, INC. AND MITCHELL INTERNATIONAL DBA MCN
TO PROVIDE DISABILITY MEDICAL EVALUATION SERVICES

PROPOSED RESOLUTION

WHEREAS, LACERS requires the services of a disability medical evaluation firm to assist with the administration of retirement benefits by securing professional and affordable medical evaluation services in determining the medical status of disability retirement applicants;

WHEREAS, on August 13, 2019, the Benefits Administration Committee reviewed the qualifications and services provided by QTC Medical Group, Inc. and Mitchell International dba MCN and the recommendations of staff on the efficiency and efficacy of procuring disability medical evaluation services through an outside contractor;

WHEREAS, the Committee, after some discussion, concluded that QTC Medical Group, Inc. and Mitchell International dba MCN were the most qualified respondents to provide disability medical evaluation services to LACERS;

NOW, THEREFORE BE IT RESOLVED that the Board:

- (1) Approve contract awards to QTC Medical Group, Inc. and Mitchell International dba MCN for Disability Medical Evaluation Services; and,
- (2) Authorize the General Manager to negotiate terms and execute the contracts with the chosen providers in the amount not to exceed \$220,000 per year for three years with the option to renew the contracts for an additional three years.



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

MEETING: AUGUST 13, 2019
ITEM: VI

SUBJECT: DISABILITY MEDICAL EVALUATION SERVICE PROVIDER REQUEST FOR PROPOSAL – PROPOSER RECOMMENDATIONS

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend the Board:

- (1) Award contracts to QTC Medical Group, Inc. and Mitchell International dba MCN for three-year terms, with the option to renew for an additional three years;
- (2) Approve the contract awards of up to \$220,000 total for all contracted services per year starting in Fiscal Year 2019/2020; and,
- (3) Authorize the General Manager to determine the individual contract amounts up to the budgeted amount of \$220,000 per year for both contracts, negotiate and execute contract terms with the chosen service providers.

Executive Summary

On March 12, 2019, the Board approved the release of a Request for Proposal (RFP) for disability medical evaluation services. The purpose of the RFP is to secure the services of qualified contractors experienced in providing independent disability medical evaluations to governmental retirement plans or agencies. The selected proposer will provide a full range of required evaluation services. The required services include, but are not limited to: (1) access to an extensive network or panel of independent disability medical evaluation physicians; (2) medical consulting services which provide recommendations on the appropriate medical specialties applicable to each disability applicant’s claim; (3) appointment scheduling services; (4) transcription and report preparation services using a pre-defined disability medical evaluation report format; (5) as-needed services, such as supplemental reports when a case requires additional medical review; (6) direct billing services; and, (7) having a secure encrypted on-line case management client portal.

Expenditures for disability medical evaluations since the issuance of the last RFP in Fiscal Year (FY) 2014/2015 total \$944,833 as of June 1, 2019, with annual expenditures averaging \$185,200 for the

fiscal year ending June 2018. Payments to the current provider QTC, total approximately \$1.1 million from the original contract date in FY 2008/2009 to present.

Discussion

The providers have been evaluated and recommended based on their experience in providing civilian and sworn medical evaluation services to pension plans and public agencies, their extensive network of physicians, and their ability to provide evaluation services on a nationwide scale. Staff is proposing that the new contracts have the same three-year term as the previous contracts, with the option to renew for an additional three years.

Rating Scale

Criteria	Points
Years in Operation	5
Qualifications and Experience of Team/Firm	20
Scope of Services	25
Coverage Area	20
Clarity of Responses	25
Pricing Structure	20
Contract History/References	15
Total	130

Four proposers submitted proposals meeting the required minimum qualifications of: (1) being in business for at least five years providing disability medical evaluation services and independent medical evaluations to public sector; (2) having dedicated personnel assigned to LACERS with at least three years of experience advising employers or retirement systems on disability related issues; (3) having a network of examining physicians, licensed with the Medical Board of the State of California, or possessing equivalent licensing if performing disability medical evaluations out-of-state; and, (4) having an online case management portal to transmit referrals, upload medical records, view case statuses and download completed examining physician reports. The four proposers are Mitchell International dba MCN (MCN), GENEX (a subsidiary of MCN), National Disability Evaluations (NDE), and QTC Medical Group Incorporated (QTC). QTC Medical Group is the current provider of disability medical services to LACERS.

Proposal scores varied based on the proposer's qualifications, ability to meet the scope of services, coverage area, pricing structure and clarity of responses. The top-scored proposals came from QTC and MCN. QTC has been in operation for more than 30 years and has provided medical evaluation services to LACERS since 2007. It has an extensive medical evaluation service background, a broad network of physicians and coverage area, trained personnel, continuing education programs for its' staff and other specialized services. MCN has been in business for 35 years and providing disability medical evaluation services for 22 years. The company has an extensive network of physicians, a nationwide presence, a Health Insurance Portability and Accountability Act (HIPAA) compliant encrypted client portal, experienced staff that is available 24 hours a day, seven days a week, and a set fee schedule. Both companies also have a formal policy on sexual harassment.

Staff recommends contracting with the top two proposers. Contracting with two service providers ensures: (1) there is always a second firm available for any contingency needs, thus minimizing potential disruptions to processing cases if one provider ceases operations or has its' contract terminated for cause; (2) staff has the ability to negotiate competitive rates; (3) access to a broader spectrum of physician resources, and (4) referral flexibility based on LACERS' specific service experience with each provider.

Strategic Plan Impact Statement

The use of medical provider services assists LACERS staff in maximizing organizational effectiveness and efficiency and assures the accurate and timely delivery of member benefits.

Prepared By: Ferralyn Sneed, Sr. Management Analyst of the Retirement Services Division.

NMG:KF:FS

Attachments: 1. RFP Level 1 Review

RFP Requirements

	QTC Medical Group, Inc.	National Disability Evaluations	Genex Services	Mitchell International Inc.
Address	924 Overland Court San Dimas, CA 91773	11500 W. Olympic Blvd., Suite 580 Los Angeles, CA 90064	6111 Broken Sound Pkwy NW, Suite 207 Boca Raton, FL 33487	1301 Fifth Ave., Ste.2900 Seattle, WA 98101
Phone	909-859-2100	844-287-8180	610-964-5100	206-343-6100

A. Cover Letter

Key Personnel

	Erica Zamarripa	Stuart Pearson	Christi Doe	Lestina Dunkel
Phone/Cell/Fax	(p) 909-978-3860 (f) 909-610-0949	(p) (f)	(p) (f)	(p) (f)
Email	erica.zamarripa@qtc.com			

Key Personnel

	Rosalea Balanza	Alison Gyepes	Debra Colonna	See page 11 for list
Phone/Cell/Fax	(p) (f)	(p) (f)	(p) 480-823-3003 (f)	(p) (f)

Additional Staff

Ron Ann, Monea Longoria	John Garcia, Haley Feuer	Cara Brookman, Brandy Davis	See page 11 for list
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Acknowledgement and acceptance of terms and conditions

Yes	Yes	Yes	Yes
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B. Executive Summary

Yes	No	No	No
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C. Proposal Items

1. Experience and Qualifications

a. Profile of proposer, etc.

Yes	Yes	Yes	Yes
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b. Qualifications and experience of key personnel

See page 22 for staff biographies	See page 9 for staff biographies	See page 9 for staff biographies	See exhibit 7 for staff resumes
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2. Experience with similar contracts

1	LAFPP	CalSTRS	Illinois Municipal Retirement Fund	Clients are confidential
2	CALPERS	CALPERS	State Employee Retirement System (Illinois)	
3	U.S. Railroad Retirement Board	LACERA	City of Eugene	

3. References

Yes	Yes	Yes	Yes
LACERS - Anna Ingram	CalSTRS - Sukha Chima	Houston Police Officers Pension System - Sheryl Baines	Montana State Fund - Michelle Fairclough
U.S. Railroad Retirement Board - Clifton Rucker	SCERS - Mario Sierras	Board of Pensions of the Presbyterian Church - Beth Rutkowski	City of Scottsdale - Darlene Ganger
Colorado Disability Determination Services - LaVonne Mercure	FCERA - Doris Rentschler	City of Los Angeles, Personnel Dept. - Tyrone Spears	Hanover Insurance Company - Rebecca Homolka

4. Project Proposal

Yes	Yes	Yes	Yes
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5. Proposed Fee Schedule

Yes	Yes	Yes	Yes
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6. Questionnaire Responses

Yes	Yes	Yes	Yes
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RFP Requirements

D. General Requirements and Compliance Documents

1. Warranty/Affidavit	Yes - only signed by one - needs two if corporation	Yes	Yes	Yes - only signed by one - needs two if corporation
2. Bidder Certification	Yes	Yes	Yes	Yes
3. Prohibited Contributors	Yes	Yes	Yes	Yes
4. Requested Exceptions to standard provisions	No	No	No	No

E. Exhibits

1. Business Continuity Plan	Yes (list of security measures)	Yes (summary)	Yes (list of security measures)	Yes (disaster recovery plan)
2. Physician Resource List	Yes	Yes	Available upon contract award	Yes
3. Report Samples	Yes	Yes	Yes	Yes
4. Other Materials (if any)	Disclosure Form	Disclosure Form; Required Insurance Form (filled out the "template" page)	Disclosure Form (unsigned); Schedule of Insurance	Sexual Harassment Policy; Conflict of Interest Polices; Disclosure Form; Certificate of Liability Insurance



REPORT TO BOARD OF ADMINISTRATION

From: Investment Committee
Sung Won Sohn, Chair
Elizabeth Lee
Nilza R. Serrano

MEETING: AUGUST 27, 2019
ITEM: IX – B

SUBJECT: INVESTMENT MANAGER CONTRACT WITH AQR CAPITAL MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. SMALL CAP EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

- 1) Approve a one-year contract extension with AQR Capital Management, LLC for management of an active non-U.S. small cap equities portfolio.
- 2) Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

Executive Summary

On August 13, 2019, the Investment Committee (Committee) concurred with the staff recommendation for a one-year contract extension with AQR Capital Management, LLC (AQR).

Discussion

On August 13, 2019, the Committee considered the attached staff report (Attachment 1) recommending a one-year contract extension with AQR. AQR was hired through the 2013 Active Core Non-U.S. Small Cap Equities manager search process and a three-year contract was authorized by the Board on August 13, 2013. AQR was awarded a contract renewal on September 27, 2016. The current contract expires on January 31, 2020. The Committee discussed the investment strategy, performance, and fees. AQR was placed "On Watch" for an initial one-year period effective May 13, 2019, due to performance.

Strategic Plan Impact Statement

A contract extension with AQR Capital Management, LLC will allow the fund to maintain a diversified exposure to non-U.S. developed market equities, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Eduardo Park, Investment Officer I, Investment Division

RJ/BF/EP:sg

Attachments: 1. Investment Committee Recommendation Report dated August 13, 2019
 2. Proposed Resolution



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

MEETING: AUGUST 13, 2019
ITEM: IV

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER CONTRACT WITH AQR CAPITAL MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. SMALL CAP EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a one-year contract extension with AQR Capital Management, LLC for management of an active non-U.S. small cap equities portfolio.

Executive Summary

AQR Capital Management, LLC (AQR) has managed an active non-U.S. small cap equities portfolio for LACERS since February 2014. LACERS' portfolio is currently valued at \$341.2 million. AQR was placed "On Watch" for an initial one-year period effective May 13, 2019, due to performance. In light of AQR's "On Watch" status and consistent with the LACERS Manager Monitoring Policy, staff recommends a one-year contract extension and will monitor performance.

Discussion

Background

AQR has managed an active non-U.S. small cap equities portfolio for LACERS since February 2014, and is benchmarked against the MSCI EAFE Small Cap Index. AQR uses a quantitative investment strategy that is based on the philosophy that fundamentals drive stock returns. AQR attempts to identify companies with characteristics such as attractive valuations relative to industry peers, positive stock price momentum, sound accounting practices, healthy balance sheets, and strong management teams. The portfolio management team is led by John Liew, Founding Principal. He is supported by 22 portfolio management and research professionals, over half who hold PhD degrees. LACERS' portfolio was valued at \$341.2 million as of June 30, 2019.

AQR was hired through the 2013 Active Core Non-U.S. Small Cap Equities manager search process. The Board authorized a three-year contract on August 13, 2013 and awarded a contract renewal on September 27, 2016. The current contract expires on January 31, 2020.

Organization

AQR is majority-owned by its principals and minority-owned by Affiliated Managers Group, Inc. (NYSE ticker: AMG), a publicly held asset management holding company. AQR has approximately 1,000 employees (937 employees in the U.S.) across offices in Greenwich (headquarters), Boston, Chicago, Los Angeles, London, and Sydney. AQR has approximately \$193.9 billion in total assets under management, of which approximately \$4.3 billion are in small and mid-cap equities.

Due Diligence

AQR’s organizational structure, key personnel, investment philosophy, strategy, and process have not changed over the contract period.

Performance

As of June 30, 2019, AQR has underperformed its benchmark, net-of-fees, over all time periods as presented in the table below.

Annualized Performance, Unaudited as of 6/30/19 (Net-of-Fees)						
	3-Month	1-Year	2-Year	3-Year	5-Year	Since Inception ¹
AQR	0.38	-10.07	0.07	6.46	3.62	3.67
MSCI EAFE Small Cap Index	1.71	-6.35	2.62	9.06	4.40	4.60
% of Excess Return	-1.33	-3.72	-2.55	-2.60	-0.78	-0.93

¹Inception Date: 2/24/2014

Calendar year performance is presented in the table below as supplemental information.

Calendar Year Performance, Unaudited as of 6/30/19 (Net-of-Fees)						
	1/1/19-6/30/19	2018	2017	2016	2015	3/31/14-12/31/14
AQR	9.21	-19.92	33.57	-1.21	13.18	-6.96
MSCI EAFE Small Cap Index	12.55	-17.89	33.01	2.18	9.59	-8.04
% of Excess Return	-3.34	-2.03	0.56	-3.39	3.59	1.08

Pursuant to LACERS Manager Monitoring Policy, AQR was placed “On Watch” for an initial one-year period effective May 13, 2019. The following Policy watch list criteria triggered the “On Watch” status based on the performance as of March 31, 2019:

1. Annualized net performance relative to its benchmark for trailing 3 years underperforms in 8 of 12 previous quarters.
2. Annualized net performance is below benchmark for trailing 5 years
3. Annualized net Information Ratio trailing 5 years relative to its benchmark is below 0.20

Fees

LACERS currently pays AQR an effective fee of 78 basis points (0.78%), which is approximately \$2.7 million annually based on the value of LACERS' assets as of June 30, 2019. This fee ranks in the 44th percentile among its peers in the eVestment EAFE Small Cap Universe (i.e., AQR's fee is lower than 66% of peers).

General Fund Consultant Opinion

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

Strategic Plan Impact Statement

A contract renewal with AQR Capital Management, LLC will allow the fund to maintain a diversified exposure to the non-U.S. developed market equities, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: James Wang, Investment Officer I, Investment Division

RJ/BF/WL/JW:sg

- Attachments:
1. Consultant Recommendation – NEPC, LLC
 2. Workforce Composition

To: Los Angeles City Employees' Retirement System Investment Committee
From: NEPC, LLC
Date: August 13, 2019
Subject: AQR Capital Management, LLC– Contract Extension

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) extend the contract that is currently in place with AQR Capital Management, LLC ('AQR') for a period of one year from the date of contract expiry.

Background

AQR was funded on February 24, 2014 to provide the Plan with small capitalization public equity exposure across non-U.S. developed markets. As of June 30, 2019, AQR managed \$341.2 million, or 1.9% of Plan assets. The performance objective is to outperform the MSCI EAFE Small Cap Index, net of fees, annualized over a full market cycle (normally three-to-five years). The account is currently on Watch due to performance based on LACERS' Manager Monitoring Policy.

AQR was founded in 1998 by Clifford Asness, Ph.D., David Kabiller, CFA, Robert Krail, Ph.D., and John Liew, Ph.D. Messrs. Asness, Krail and Liew first met as students in the graduate Ph.D. finance program at the University of Chicago. AQR is a Delaware Limited Liability Company. AQR Capital Management Holdings, LLC is a 100% owner of AQR Capital Management, LLC, whose principals hold majority interest in the firm (greater than 70%). Affiliated Managers Group ('AMG'), a publicly traded company, holds a minority interest (less than 30%) in AQR Capital Management Holdings, LLC.

The firm manages approximately \$193.9 billion and has 4,340 accounts; \$183.5 billion of which are tax-exempt assets. The firm employs approximately 1,000 people, 236 are investment professional in portfolio management, research and trading while the rest work in client service, risk monitoring and compliance rolls. The firm is headquartered in Greenwich, Connecticut and have marketing/ client service offices in Chicago, Illinois, London, England, Sydney, Australia, Los Angeles, California and Boston, Massachusetts.

The AQR strategy is rooted in a systematic implementation of fundamental investing concepts (e.g., P/B ratio), known as signals or factors, and evaluates them across all the stocks in an investment universe. AQR combines many similar or correlated signals into themes (e.g., Valuation, Momentum, Earnings Quality, Stability, Investor Sentiment, Management Signaling) and combines themes to create an overall model. On any given day, the signals in AQR's model create a list of aggregate relative rankings or preferences for security over-weights and under-weights known as a model view. AQR aligns client

portfolios to this model view through a process called rebalancing (optimization), where the firm is conscious of trading costs, risks and other constraints.

Philosophically, AQR asks itself not only why a testable theory should exist in the first place, but also why it should continue to exist. This economic grounding helps AQR avoid random, unintuitive results, and also creates testable implications that can help ratify or disprove hypotheses. The team managing the product sits within the International Equity strategy team management process which combines the Global Stock Selection (GSS) team and the Global Asset Allocation (GAA) team. Cliff Asness, founding and Managing Principal of the firm has ultimate responsibility for the investment process. The GSS team, led by Jacques Friedman, Lars Nielsen and Ronen Israel, is responsible for the bottom-up stock selection research, modeling, and portfolio management across global regions and cap ranges. The GAA team, led by John Liew, Oktay Kurbanov, Lasse Pederson and Yao Hua Ooi, is responsible for the top-down country and currency selection process.

Portfolio weighting relies on a mixture of judgment and systematic components. The judgment portion of this step relies on the research philosophy. Signals with stronger economic grounding, longer research track records, confirming research across regions and asset classes, and better diversification opportunities will generally receive higher risk allocations within the model. Systematically, the firm allocates its signals in a construct of risk rather than return or weighting of capital in the model. All signals are scaled to a constant level of risk rather than letting them vary through different market environments.

Typical maximum exposures at rebalancing for AQR's International Small Cap Equity EAFE Strategy are generally in the range of a maximum of +/- 2.5% in individual names and a maximum of +/- 7% in individual sectors.

Performance

Referring to Exhibit 1, since March 1, 2014 (the first full month of performance after the account inception date of February 24, 2014), the AQR portfolio has underperformed the MSCI EAFE Small Cap Index by 0.92%, returning 3.50%, net of fees, through June 30, 2019. In the five-year period ended June 30, 2019, the portfolio underperformed the index by 0.78% (3.62% vs. 4.40%). In the one-year period ended June 30, 2019, the portfolio underperformed the benchmark by 3.72% returning -10.07%. The portfolio has an information ratio of -0.38 and active risk as measured by tracking error was 2.42% since inception ending June 30, 2019. The portfolio's Sharpe Ratio since inception was 0.22 versus the index of 0.29 indicating that the portfolio has produced less return per unit of risk taken.

Referring to Exhibit 2, on a cumulative basis, the portfolio has been eroding its cumulative gains from past periods since the fourth quarter of 2017 with underperformance in the past 10 of 12 quarters; note, underperformance in eight of the last 12 quarters is one rule in the LACERS Manager Monitoring Policy. Investment gains from periods of outperformance have been eroded and are negative since inception ending June 30, 2019. Stock selection and the value theme have been the largest detractors from returns versus the benchmark.

Fees

The AQR portfolio has an asset-based fee of 0.78% annually. The fee ranks in the 44th percentile among its peers in the eVestment EAFE Small Cap Equity Universe. In other words, 66% of the 81 products included in the peer universe have a higher fee than the LACERS account.

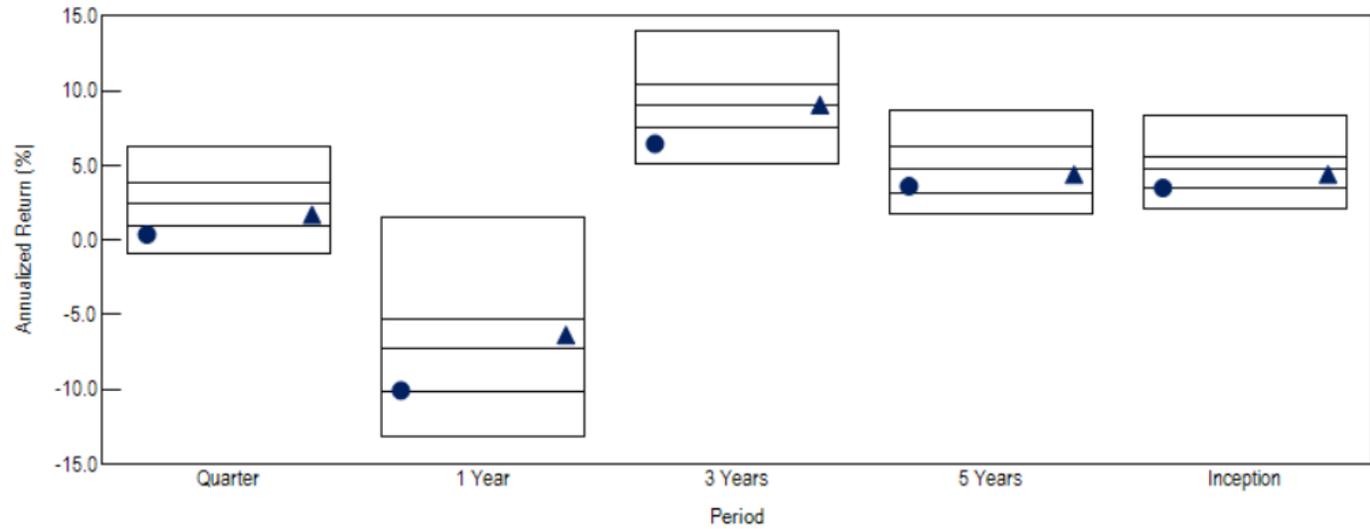
Conclusion

AQR has struggled to outperform the index in all time periods ended June 30, 2019. The team has been relatively stable in the past three-to-five years. The firm's understandable systematic approach to quantitative investing may lead to favorable outcomes in the long-run. NEPC research rates this strategy as 'Neutral' or a 3 out of 5. A neutral rating is defined as 'A satisfactory investment product. The strategy lacks a compelling investment thesis, however there are no significant concerns around the manager's viability'. NEPC recommends a one-year contract extension.

The following tables provide specific performance information, net of fees referenced above.

Exhibit 1

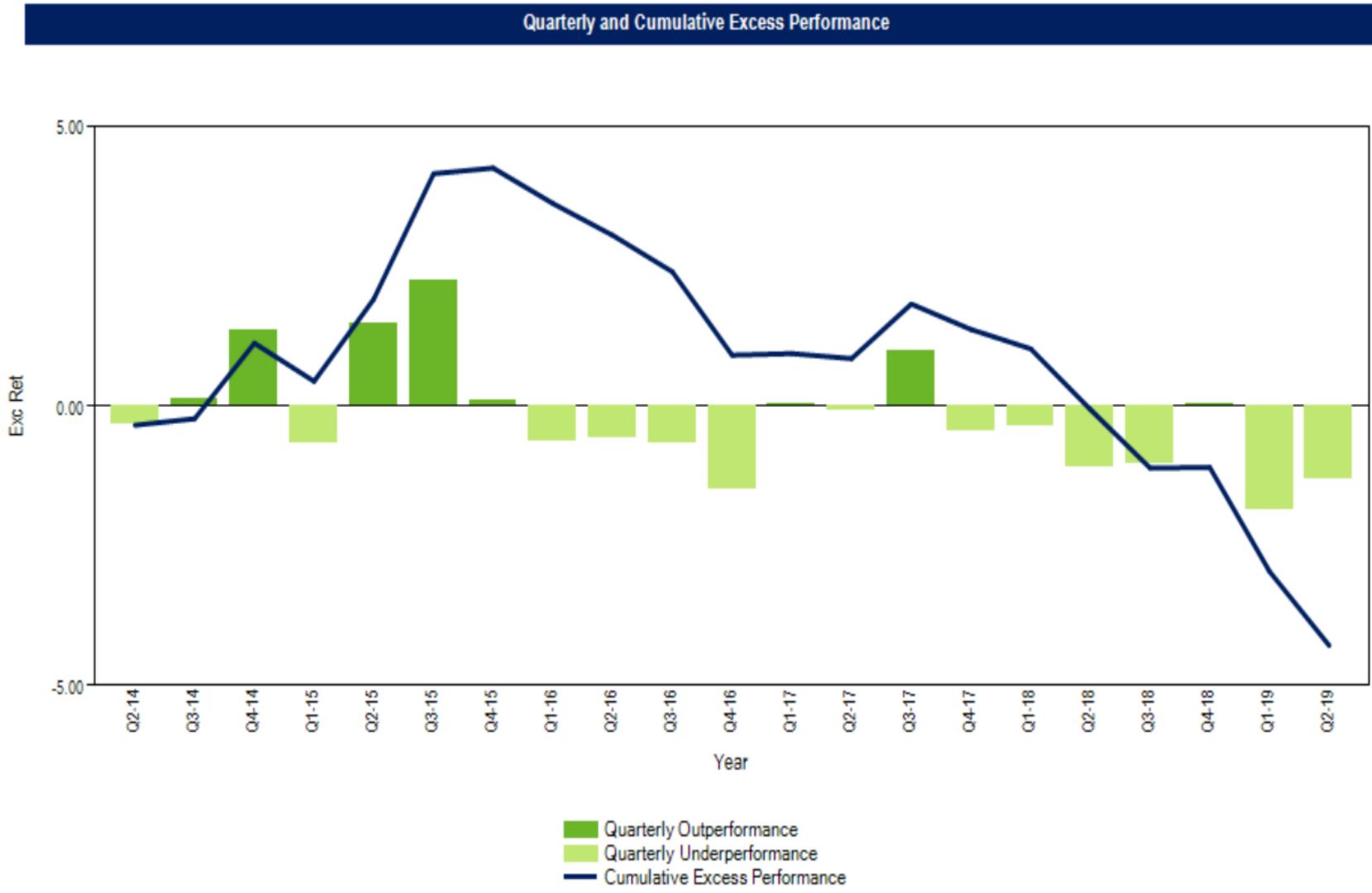
**eV EAFE Small Cap Equity Net Return Comparison
 Ending June 30, 2019**



	Return (Rank)									
	Quarter		1 Year		3 Years		5 Years		Inception	
5th Percentile	6.28		1.57		14.02		8.73		8.37	
25th Percentile	3.83		-5.28		10.39		6.31		5.59	
Median	2.46		-7.24		9.07		4.75		4.80	
75th Percentile	0.92		-10.13		7.55		3.15		3.44	
95th Percentile	-0.89		-13.19		5.14		1.76		2.09	
# of Portfolios	58		58		56		45		45	
● AQR Capital	0.38	(86)	-10.07	(75)	6.46	(87)	3.62	(61)	3.50	(73)
▲ MSCI EAFE Small Cap	1.71	(63)	-6.35	(32)	9.06	(51)	4.40	(53)	4.42	(55)

NEPC performance record starts from the first full month of performance.

Exhibit 2



Vendor: AQR Capital Management LLC
 Address: Two Greenwich Plaza, Greenwich CT

Date Completed: As of 12/31/2018

Strategy: International Small Cap
 Category/Asset Class: Equities

TOTAL COMPOSITION OF WORK FORCE

Occupation	African American	Hispanic	Asian or Pacific Islander	American Indian/Alaskan Native	Two or More Races	Caucasian (Non Hispanic)	Total Employees	Percent (%) Minority	Gender	
	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time	Male	Female
Officials & Managers	0	8	55	0	2	204	269	23.42%	216	53
Professionals	11	33	228	0	7	358	637	42.70%	480	157
Technicians	0	0	0	0	0	0	0	N/A	0	0
Sales Workers	0	0	0	0	0	0	0	N/A	0	0
Office/Clerical	4	1	3	0	2	21	31	25.81%	4	27
Semi-Skilled	0	0	0	0	0	0	0	N/A	0	0
Unskilled	0	0	0	0	0	0	0	N/A	0	0
Service Workers	0	0	0	0	0	0	0	N/A	0	0
Other	0	0	0	0	0	0	0	N/A	0	0
Total	15	42	286	0	11	583	937	36.61%	700	237

Source: AQR. As of 12/31/2018 and reflects US-only employees and includes partners. This excludes CNH.

**CONTRACT EXTENSION
AQR CAPITAL MANAGEMENT, LLC
ACTIVE NON-U.S. SMALL CAP EQUITIES
PORTFOLIO MANAGEMENT**

PROPOSED RESOLUTION

WHEREAS, LACERS current three-year contract with AQR Capital Management, LLC (AQR) for active non-U.S. small cap equities portfolio management expires on January 31, 2020; and,

WHEREAS, on May 13, 2019, AQR was placed on “On Watch” status pursuant to the LACERS Manager Monitoring Policy; and,

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

WHEREAS, on August 27, 2019, the Board approved the Investment Committee’s recommendation to approve a one-year contract extension with AQR; 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>	AQR Capital Management, LLC
<u>Service Provided:</u>	Active Non-U.S. Small Cap Equities Portfolio Management
<u>Effective Dates:</u>	February 1, 2020 through January 31, 2021
<u>Duration:</u>	One year
<u>Benchmark:</u>	MSCI EAFE Small Cap Index
<u>Allocation as of July 31, 2019:</u>	\$266 million

August 27, 2019



REPORT TO BOARD OF ADMINISTRATION

From: Investment Committee
Sung Won Sohn, Chair
Elizabeth Lee
Nilza R. Serrano

MEETING: AUGUST 27, 2019
ITEM: IX – C

SUBJECT: INVESTMENT MANAGER CONTRACT WITH QUANTITATIVE MANAGEMENT ASSOCIATES, LLC REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS CORE EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

- 1) Approve a one-year contract extension with Quantitative Management Associates, LLC for management of an active emerging markets core equities portfolio.
- 2) Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

Executive Summary

On August 13, 2019, the Investment Committee (Committee) concurred with the staff recommendation for a one-year contract extension with Quantitative Management Associates, LLC (QMA).

Discussion

On August 13, 2019, the Committee considered the attached staff report (Attachment 1) recommending a one-year contract extension with QMA. QMA was hired through the 2013 Active Non-U.S. Equities Emerging Markets Core manager search process and a three-year contract was authorized by the Board on July 23, 2013. QMA was awarded a contract renewal on September 27, 2016. The current contract expires on December 31, 2019. The Committee discussed the investment strategy, performance, and fees. QMA was placed "On Watch" for an initial one-year period effective July 29, 2019, due to performance.

Strategic Plan Impact Statement

A contract extension with Quantitative Management Associates, LLC will allow the fund to maintain a diversified exposure to non-U.S. equities emerging markets, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Eduardo Park, Investment Officer I, Investment Division

RJ/BF/EP:sg

Attachments: 1. Investment Committee Recommendation Report dated August 13, 2019
 2. Proposed Resolution



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

MEETING: AUGUST 13, 2019
ITEM: V

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER CONTRACT WITH QUANTITATIVE MANAGEMENT ASSOCIATES, LLC REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS CORE EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a one-year contract extension with Quantitative Management Associates, LLC for management of an active emerging markets core equities portfolio.

Executive Summary

Quantitative Management Associates, LLC (QMA) has managed an active emerging markets core equities portfolio for LACERS since April 2014. LACERS' portfolio is currently valued at \$444.6 million. QMA was placed "On Watch" for an initial one-year period effective July 29, 2019, due to performance. In light of QMA's "On Watch" status and consistent with the LACERS Manager Monitoring Policy, staff recommends a one-year contract extension and will monitor performance.

Discussion

Background

Quantitative Management Associates, LLC (QMA) has managed an active emerging markets core equities portfolio for LACERS since April 2014, and is benchmarked against the MSCI Emerging Markets Index. QMA's quantitative investment strategy is rooted in the belief that investor behavior creates disconnections between stock prices and company fundamentals. QMA's model evaluates fundamental metrics, such as valuation, growth, and quality, and seeks to add value by actively adapting to changing growth and market expectations. The investment team is comprised of 11 professionals and is led by Roy Henriksson, Ph.D., Chief Investment Officer. Collectively, the team averages over 15 years of investment experience. LACERS' portfolio was valued at \$444.6 million as of June 30, 2019.

QMA was hired through the 2013 Active Non-U.S. Equities Emerging Markets Core manager search process. The Board authorized a three-year contract on July 23, 2013 and awarded a contract renewal on September 27, 2016. The current contract expires on December 31, 2019.

Organization

QMA is wholly owned by Prudential Financial, Inc., a public company (NYSE ticker symbol: PRU), but operates independently. QMA is headquartered in Newark, New Jersey, and has 218 employees. As of June 30, 2019, the firm managed over \$121.8 billion in total assets with \$2.7 billion in the emerging markets core equity strategy.

Due Diligence

In July 2018, Jacob Pozhamy, who oversaw the non-U.S. product line, left the firm. George Patterson was hired to replace Mr. Pozhamy well in advance of his departure. Mr. Patterson earned a Bachelor of Science in physics from the Massachusetts Institute of Technology as well as a PhD in physics from the Boston University. Prior to joining QMA, Mr. Patterson held senior investment professional roles such a Managing Director and Chief Investment Officer with firms including Barclays Global Investors, Axioma, Inc., and Bank of Montreal Global Asset Management. Staff and NEPC, LLC, LACERS' General Fund Consultant, do not anticipate Mr. Pozhamy's departure impacting the firm or strategy adversely and have full confidence in his replacement. Other than Mr. Pozhamy's departure, QMA's organizational structure, key personnel, investment philosophy, strategy, and process have not changed over the contract period.

Performance

As of June 30, 2019, QMA has outperformed its benchmark, net-of-fees, over the 3-month, 3-year, and since inception time periods and has underperformed for the remaining time periods as presented in the table below.

Annualized Performance, Unaudited as of 6/30/19 (Net-of-Fees)						
	3-Month	1-Year	2-Year	3-Year	5-Year	Since Inception [^]
QMA	1.83	-0.30	4.13	10.93	2.46	3.48
MSCI Emerging Markets Index	0.61	1.21	4.65	10.66	2.49	3.43
% of Excess Return	1.22	-1.51	-0.52	0.27	-0.03	0.05

[^]Inception Date: 4/24/14

Calendar year performance is presented in the table below as supplemental information.

Calendar Year Performance, Unaudited as of 6/30/19 (Net-of-Fees)						
	1/1/19-6/30/19	2018	2017	2016	2015	4/24/14-12/31/14
QMA	11.13	-15.47	37.72	10.62	-16.30	-0.32
MSCI Emerging Markets Index	10.58	-14.57	37.28	11.19	-14.92	-2.92
% of Excess Return	0.55	-0.90	0.44	-0.57	-1.38	2.60

Pursuant to the LACERS Manager Monitoring Policy (Policy), QMA was placed on "On Watch" status for an initial one-year period effective July 29, 2019. The following Policy watch list criteria triggered the "On Watch" status based on the performance as of June 30, 2019:

1. Annualized net underperformance relative to its benchmark for trailing 5 years.
2. Annualized net Information Ratio trailing 5 years relative to its benchmark is below .20.

Fees

LACERS pays QMA an effective fee of 38 basis points (0.38%), which is approximately \$1.7 million annually based on the value of LACERS' assets as of June 30, 2019. This fee ranks in the 4th percentile among its peers in the eVestment Emerging Markets All Cap Core Equity Universe (i.e. QMA's fee is lower than 96% of peers).

General Fund Consultant Opinion

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

Strategic Plan Impact Statement

A contract extension with Quantitative Management Associates, LLC will allow the fund to maintain a diversified exposure to the non-U.S. equities emerging markets, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared by: Eduardo Park, Investment Officer I, Investment Division.

RJ/BF/EP:sg

Attachments: 1. Consultant Recommendation – NEPC, LLC
 2. Workforce Composition

To: Los Angeles City Employees' Retirement System Investment Committee
From: NEPC, LLC
Date: August 13, 2019
Subject: Quantitative Management Associates, LLC– Contract Extension

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) extend the contract that is currently in place with Quantitative Management Associates, LLC ('QMA') for a period of one year from the date of contract expiry.

Background

QMA was funded on April 24, 2014 to provide the Plan with emerging markets public equity exposure within the non-U.S. equity asset class. As of June 30, 2019, QMA managed \$444.6 million, or 2.5% of Plan assets. The performance objective is to outperform the MSCI Emerging Markets Index, net of fees, annualized over a full market cycle (normally three-to-five years). The account is currently on Watch due to performance based on LACERS' Manager Monitoring Policy.

QMA was founded in 1975 as the quantitative equity and global multi-asset businesses of PGIM, Inc. (formerly Prudential Investment Management and asset management arm of life insurance company Prudential Financial). In 2004, QMA became a wholly-owned subsidiary of PGIM, Inc.

The firm manages approximately \$123.2 billion and has 293 accounts; \$113.7 billion of which are tax-exempt assets. The firm employs approximately 239 people and is headquartered in Newark, New Jersey and has offices in San Francisco, California and London, United Kingdom. The Emerging Markets Core Equity platform has \$2.2 billion in assets under management and is run by a 22 person Quantitative Equity team led by George Patterson, who was hired in 2017 to consolidate QMA's multiple quantitative silos (US Core, US Value and non-US). Jacob Pozhamy, who oversaw the non-US product line, left the firm in July 2018. The team is otherwise stable and has grown over the past two years. The Emerging Markets Core Equity line of business has experienced outflows totaling nearly three billion dollars in the past two years.

QMA believes that applying a systematic approach to fundamental metrics in emerging markets securities can add alpha in the long run. They believe that indicators of a security's future performance differ in effectiveness depending on the relative growth rate of companies within each sector. Their research team believes that valuation measures matter more for slow growing companies and indicators relating to future growth prospects matter more for fast growing companies.

The QMA team employs an active bottom-up, systematic stock selection strategy that is based on fundamentals. These metrics are: Valuation, News, Financial Momentum and Quality, which are evaluated systematically across 4,000 public companies in the MSCI Emerging Markets universe. A forecast of relative price appreciation for each company is produced in three main steps. First, classifying stocks within a sector by long-run growth rate. Second, calculation of expected excess returns and alpha. Step two incorporates an evaluation of: Valuation, defined as forward and historical earnings yield, book yield, sales yield, cash flow yield and dividend yield; News, defined as earnings estimate, cash flow estimate, and sales estimate revisions made by security analysts following a stock; Financial Momentum, defined as changes in dividends, earnings, sales, and gross cash flow; Quality, defined as a proprietary measurement of accruals to gauge the efficacy of the Income Statement, while Accounting Bloat is utilized to measure the stability of the Balance Sheet. Step three is construction of the portfolio using an internally developed algorithm with constraints limiting portfolio deviations from the benchmark with respect to sector, country, region, size, growth and individual concentration in names. The result is typically a portfolio that is tilted toward value while maintaining a similar beta and market capitalization profile versus the benchmark.

Performance

Referring to Exhibit 1, since May 1, 2014 (the first full month of performance after the account inception date of April 24, 2014), the QMA portfolio has outperformed the MSCI Emerging Markets Index by 0.08%, returning 3.69%, net of fees, through June 30, 2019. In the five-year period ended June 30, 2019, the portfolio underperformed the index by 0.03% (2.46% vs. 2.49%). In the one-year period ended June 30, 2019, the portfolio underperformed the benchmark by 1.51% returning -0.30%. The portfolio has an information ratio of 0.04 and active risk as measured by tracking error was 1.75% since inception ending June 30, 2019. The portfolio's Sharpe Ratio since inception was 0.18 versus the index of 0.18, indicating that the portfolio has produced the same return per unit of risk taken versus its benchmark.

Referring to Exhibit 2, on a cumulative basis, the portfolio has been eroding its prior cumulative gains since the second quarter of 2018, resulting in near benchmark results since inception ending June 30, 2019. Portfolios built using fundamental factors like value and quality have been hard pressed to outperform their market capitalization-based benchmarks given the elevated risk appetite of investors seeking returns in an environment of very low and negative global interest rates. The QMA portfolio may typically underperform in periods when the riskiest value stocks and the lowest quality stocks outperform, as they have in past years.

Fees

The QMA portfolio has an asset-based fee of 0.38% annually. The fee ranks in the 4th percentile among its peers in the eVestment Emerging Markets All Cap Core Equity Universe. In other words, 96% of the 115 products included in the peer universe have a higher fee than the LACERS account.

Conclusion

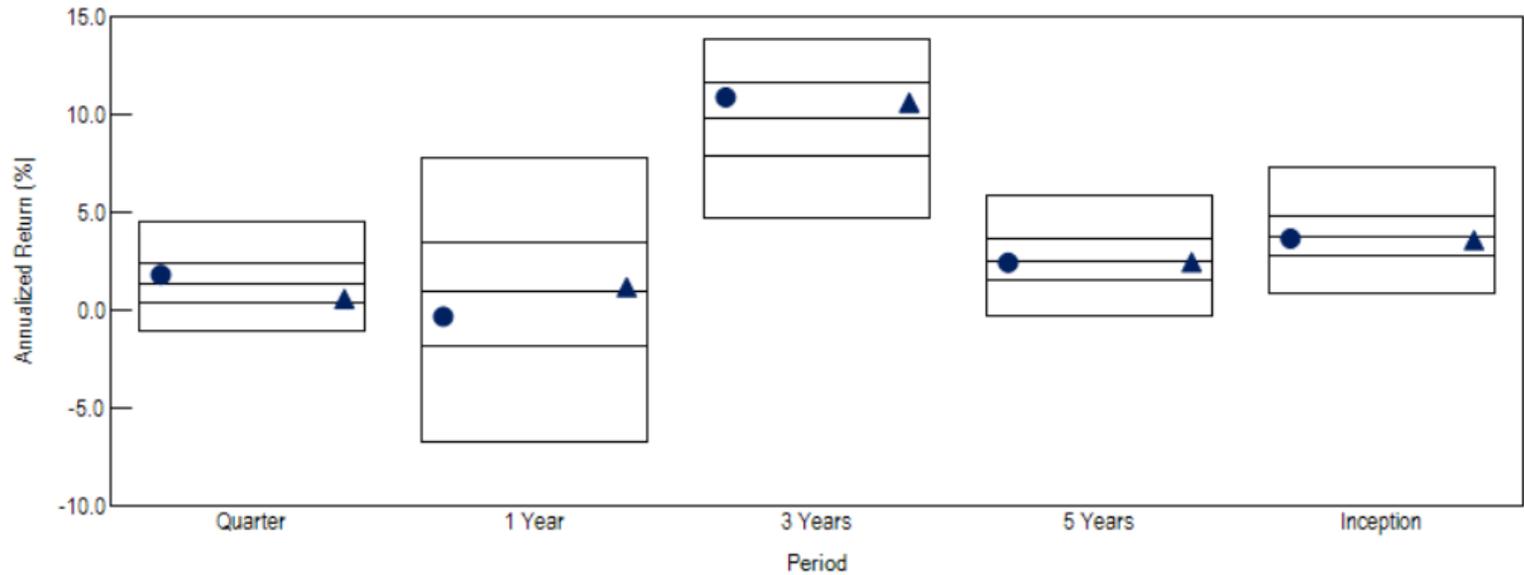
BOARD Meeting: 08/27/19
Item IX-C
Attachment 1

QMA has outperformed the index since inception ended June 30, 2019 and has performed within expectations given their investment process and strategy. The team has been relatively stable in the past three-to-five years and the strategy of fundamental-based investing is well reasoned. NEPC research rates this strategy as 'Neutral', or a 3 out of 5. A neutral rating is defined as 'A satisfactory investment product. The strategy lacks a compelling investment thesis, however, there are no significant concerns around the manager's viability'. NEPC recommends a one-year contract extension.

The following tables provide specific performance information, net of fees referenced above.

Exhibit 1

eV Emg Mkts Equity Net Return Comparison
 Ending June 30, 2019

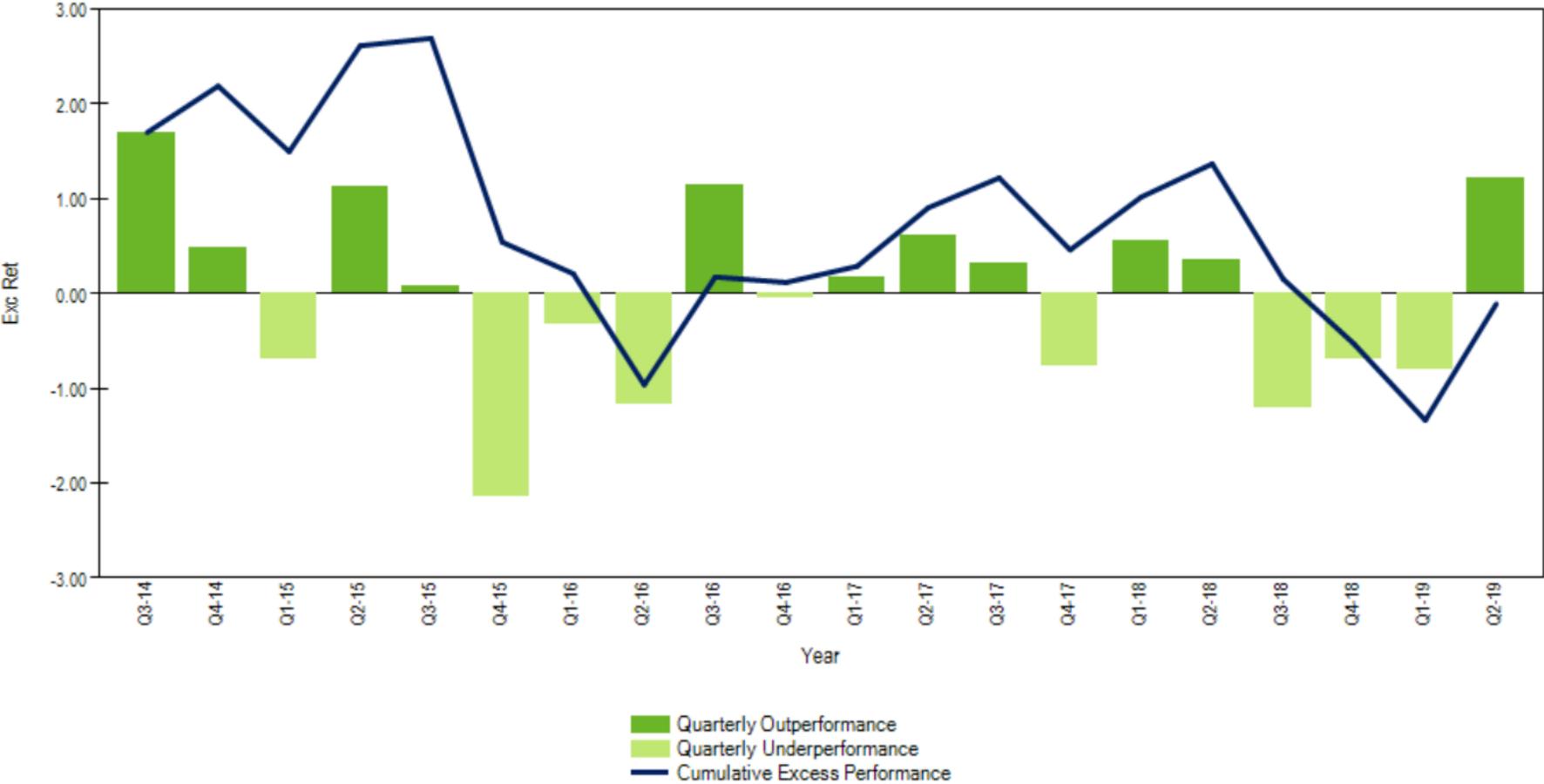


	Quarter		1 Year		3 Years		5 Years		Inception	
Return (Rank)	<hr/>									
5th Percentile	4.58		7.78		13.92		5.86		7.34	
25th Percentile	2.45		3.48		11.69		3.67		4.85	
Median	1.33		0.99		9.86		2.49		3.78	
75th Percentile	0.43		-1.85		7.91		1.54		2.78	
95th Percentile	-1.07		-6.73		4.74		-0.24		0.87	
# of Portfolios	210		201		187		161		158	
● QMA Emerging Markets	1.83	(38)	-0.30	(62)	10.93	(35)	2.46	(54)	3.69	(53)
▲ MSCI Emerging Markets	0.61	(71)	1.21	(47)	10.66	(37)	2.49	(51)	3.61	(55)

Note: NEPC performance record starts from the first full month of performance.

Exhibit 2

Quarterly and Cumulative Excess Performance



Vendor **QMA**
 Address **100 Mulberry Street, Two Gat
 Newark, NJ 07102**

Date Completed: **June 30, 2019**

Category **Asset Class**

TOTAL COMPOSITION OF WORK FORCE										
Occupation	African American Full Time	Hispanic Full Time	Asian or Pacific Islander Full Time	American Indian/Alaskan Native Full Time	Two or More Races Full Time	Caucasian (Non Hispanic) Full Time	Total Employees Full Time	Percent (%) Minority Full Time	Gender Full Time	
									Male	Female
Officials & Managers	8	11	38	0	3	106	166	36.14%	113	53
Professionals	7	1	4	0	1	16	29	44.83%	16	13
Technicians	0	0	0	0	0	0	0	0.00%	0	0
Sales Workers	0	0	0	0	0	0	0	0.00%	0	0
Office/Clerical	7	2	2	0	0	12	23	47.83%	7	16
Semi-Skilled	0	0	0	0	0	0	0	0.00%	0	0
Unskilled	0	0	0	0	0	0	0	0.00%	0	0
Service Workers	0	0	0	0	0	0	0	0.00%	0	0
Other	0	0	0	0	0	0	0	0.00%	0	0
Total	22	14	44	0	4	134	218	38.53%	136	82

The information that we are providing is confidential and proprietary. We are submitting it for the limited purposes of this RFP and request that the information be safeguarded confidentially.

**CONTRACT EXTENSION
QUANTITATIVE MANAGEMENT ASSOCIATES, LLC
ACTIVE EMERGING MARKETS CORE EQUITIES
PORTFOLIO MANAGEMENT**

PROPOSED RESOLUTION

WHEREAS, LACERS current three-year contract with Quantitative Management Associates, LLC (QMA) for active emerging markets core equities portfolio management expires on December 31, 2019; and,

WHEREAS, on July 29, 2019, QMA was placed on “On Watch” status pursuant to the LACERS Manager Monitoring Policy; and,

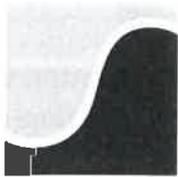
WHEREAS, a contract extension with QMA will allow the fund to maintain a diversified exposure to non-U.S. equities emerging markets; and,

WHEREAS, on August 27, 2019, the Board approved the Investment Committee’s recommendation to approve a one-year contract extension with QMA; 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>	Quantitative Management Associates, LLC
<u>Service Provided:</u>	Active Emerging Markets Core Equities Portfolio Management
<u>Effective Dates:</u>	January 1, 2020 through December 31, 2021
<u>Duration:</u>	One year
<u>Benchmark:</u>	MSCI Emerging Markets Index
<u>Allocation as of July 31, 2019:</u>	\$436 million

August 27, 2019



LACERS

LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

MEETING: AUGUST 27, 2019

From: Neil M. Guglielmo, General Manager

ITEM: IX – D

Neil M. Guglielmo

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$25 MILLION IN FS EQUITY PARTNERS VIII L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$25 million in FS Equity Partners VIII, L.P.

Executive Summary

FS Equity Partners VIII, L.P. focuses on making control-oriented investments into consumer and distribution companies headquartered in North America. Areas of focus include retail, restaurants, direct marketing, e-commerce, consumer products, retail services and wholesale, business-to-business and specialty distribution.

Discussion

Consultant Recommendation

TorreyCove Capital Partners LLC (TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to \$25 million in FS Equity Partners VIII, L.P. (the Fund), a buyout strategy managed by Freeman Spogli & Co. (the GP or Freeman Spogli). 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

Freeman Spogli was founded in 1983 by Bradford M. Freeman and Ronald P. Spogli and focuses on middle market companies within the consumer and distribution sectors. The partners of Freeman Spogli have an average tenure of 24 years. The firm has invested over \$4.5 billion of capital in 61 companies. The GP has 35 employees and offices in Los Angeles (headquarters) and New York City. Freeman Spogli is a new general partner relationship for LACERS.

Investment Thesis

The Fund will focus on making control-oriented investments into consumer and distribution companies headquartered in North America. Areas of focus include retail, restaurants, direct marketing, e-commerce, consumer products, retail services and wholesale, business-to-business and specialty distribution. Representative transaction types include management buyouts, leveraged recapitalizations, corporate carve-outs and equity investments. The Fund expects to invest in companies with enterprise values between \$100 million and \$750 million.

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

FS Equity Partners VIII, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Investments 2019 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Wilkin Ly, Investment Officer III, Investment Division

RJ/BF/WL:sg

Attachments: 1) TorreyCove Investment Notification
 2) Workforce Composition
 3) Discretion in a Box



CALIFORNIA

10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS

222 Rosewood Drive
3rd Floor
Danvers, MA 01923

FS Equity Partners VIII, L.P. Investment Notification

Fund Information

- **General Partner:** Freeman Spogli & Co. (“Freeman Spogli”, the “Firm”)
- **Fund:** FS Equity Partners VIII, L.P. (“Fund VIII”, the “Fund”)
- **Firm Founded:** 1983
- **Strategy:** Buyouts
- **Sub-Strategy:** Medium Buyouts
- **Geography:** North America
- **Team:** ~20 investment professionals
- **Senior Partners:** Brad Freeman, Ron Spogli, John Roth, and Jon Ralph
- **Office Locations:** Los Angeles and New York
- **Industries:** Consumer and distribution
- **Recommendation:** Up to \$25 million

Investment Highlights

- Experienced senior team with limited turnover
- Consistent investment strategy and deep knowledge of the consumer and distribution sectors
- Strong aggregate track record with consistency through economic cycles

FS Equity Partners VIII, L.P.

■ Firm and Background

- Prior to establishing the Firm in 1983, Brad Freeman and Ron Spogli (the “Founding Partners”) had been Managing Directors in the Corporate Finance Department at Dean Witter Reynolds.
- Messrs. Freeman and Spogli continue to be involved in the Firm’s affairs as Co-Chairmen, roles they assumed in 2016 following John Roth’s promotion to Chief Executive Officer and Jon Ralph’s promotion to President and Chief Operating Officer.
- Freeman Spogli is currently led by 10 Partners who have an average tenure of 25 years at the Firm. They are supported by a team of ~10 junior investment professionals.
- Over its 35-year history, the Firm has refrained from entering into other business activities and remains committed to a single product offering.

■ Investment Strategy

- Fund VIII will focus on making control-oriented investments into consumer and distribution companies headquartered in North America.
- Areas of focus within consumer will include traditional retail, e-commerce, consumer services, and restaurants.
- Sub-sectors of focus within the distribution industry are expected to include wholesaling, business-to-business, and specialty logistics.
- The Fund expects to complete between 8 and 12 investments into companies with enterprise values between \$100.0 million and \$750.0 million at entry.
- The average equity check is expected to remain relatively consistent at \$50.0 million to \$150.0 million per platform.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE.

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NONE OF THE INFORMATION CONTAINED HEREIN WAS PREPARED BY THE FUND OR ANY UNDERLYING PORTFOLIO FUNDS IDENTIFIED HEREIN, IF ANY, THE GENERAL PARTNERS THEREOF OR ANY OF THEIR RESPECTIVE AFFILIATES. BY ACCEPTING THESE MATERIALS, YOU HEREBY ACKNOWLEDGE AND AGREE TO ALL OF THE TERMS AND CONDITIONS IN THESE DISCLOSURES.

Vendor **Freeman Spogli & Co.**
 Address **11100 Santa Monica Blvd. , St**
Los Angeles, CA 90025

Date Completed: **April 10, 2019**

Category **Asset Class - Private Equity**

TOTAL COMPOSITION OF WORK FORCE									
Occupation	African	Hispanic	Asian or	American Indian/	Caucasian	Total	Percent (%)	Gender	
	American	Full Time	Pacific Islander	Alaskan Native	(Non Hispanic)			Male	Female
	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time
Officials & Managers	0	1	1	0	14	16	12.50%	15	1
Professionals	0	0	2	0	9	11	18.18%	8	3
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	2	4	0	2	8	75.00%	0	8
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	0	3	7	0	25	35	28.57%	23	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 \$50 million prior to investment. Review and approve investments in follow-on partnerships of amounts greater than \$100 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 \$50 million for new partnerships, and up to \$100 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 \$50 million in new partnerships, or over \$100 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 \$50 million for new managers, or over \$100 million in follow-on funds. With staff concurrence, approve investment of up to \$50 million for new partnerships, and up to \$100 million in follow-on funds. Provide investment analysis report for each new investment and sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s). 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. Approve sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s) 	<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 and consents. Execute amendments to agreements and consents. Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence. Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s). 	<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.



LACERS

LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: AUGUST 27, 2019

ITEM: IX – E

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$45 MILLION IN ADVENT INTERNATIONAL GPE IX, L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$45 million in Advent International GPE IX, L.P.

Executive Summary

Advent International GPE IX, L.P. will pursue a sector-focused, operationally intensive, and control-oriented strategy, primarily across Europe and North America. Targeted sectors include business & financial services, healthcare, industrial, retail, consumer & leisure, and technology, media & telecommunications.

Discussion

Consultant Recommendation

TorreyCove Capital Partners LLC (TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to \$45 million in Advent International GPE IX, L.P., a buyout strategy managed by Advent International Corporation (the GP or Advent). 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

Advent was founded in Boston in 1984 by Peter Brooke as a spin-out from TA Associates. In 1989, the firm raised \$231 million for its first European buyout fund, which served as the platform for the firm's Global Private Equity (GPE) program. To date, Advent has invested over \$44 billion and employs over 400 people, including 195 investment professionals located in Boston (headquarters), New York, Palo Alto, London, Paris, Frankfurt, Madrid, Luxembourg, Hong Kong, Shanghai, Mumbai, Mexico City, São Paulo, Bogotá, and Lima. The firm manages over \$36 billion in assets.

LACERS has an existing general partner relationship with Advent and previously committed a total of \$85 million to the following Advent-sponsored funds:

Fund	Vintage Year	Commitment Amount	Net IRR^{1,2}
Advent International GPE VI, L.P.	2008	\$20 million	17.1%
Advent International GPE VII, L.P.	2012	\$30 million	16.3%
Advent International GPE VIII, L.P.	2016	\$35 million	9.1%

Investment Thesis

The Fund will pursue a sector-focused, operationally intensive, and control-oriented strategy, primarily across Europe and North America. Targeted sectors include business & financial services, healthcare, industrial, retail, consumer & leisure, and technology, media & telecommunications. These firms typically have strong market positions with enterprise values between \$200 million and \$5 billion. The GP assists portfolio companies with growth through pricing optimization, salesforce reorganization, and international expansion. 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 Advent International GPE IX, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Investments 2019 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Wilkin Ly, Investment Officer III, Investment Division

RJ/BF/WL:sg

Attachments: 1. TorreyCove Investment Notification
 2. Workforce Composition
 3. Discretion in a Box

¹Performance as of December 31, 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).



CALIFORNIA

10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS

222 Rosewood Drive
3rd Floor
Danvers, MA 01923

Advent International GPE IX, L.P. Investment Notification

Fund Information

- **General Partner:** Advent International Corporation (the “Firm” or “Advent”)
- **Fund:** Advent International GPE IX, L.P. (the “Fund”)
- **Firm Founded:** 1984
- **Strategy:** Buyouts
- **Sub-Strategy:** Large Buyouts
- **Geography:** Primarily Europe and North America
- **Team:** ~200 investment professionals
- **Senior Partners:** David Mussafer, David McKenna, Chris Pike, James Brocklebank, Jan Janshen, Chris Egan, Ranjan Sen, Ronald Ayles, John Maldonado, Bryan Taylor, Steve Tadler, Fred Wakeman
- **Office Locations:** Boston, New York, Palo Alto, London, Paris, Frankfurt, Madrid, Luxembourg, Hong Kong, Shanghai, Mumbai, Mexico City, São Paulo, Bogotá, Lima
- **Industries:** (i) Business & financial Services, (ii) healthcare, (iii) industrials, (iv) retail, consumer & leisure, and (v) technology, media & telecommunications
- **Recommendation:** Up to \$45.0 million

Investment Highlights

- Large, cohesive, and experienced leadership team
- Consistent investment strategy that has been successfully implemented in prior funds
- Strong and consistent returns over time with minimal losses

Advent International GPE IX, L.P.

■ Firm and Background

- Advent was founded by Peter Brooke in 1984.
- The Firm is currently led by 12 Managing Partners, 11 of which have a tenure of 14 years or more.
- The Managing Partners are supported by a large investment team that includes 20 Managing Directors, five Principals, and more than 150 junior investment professionals.
- Advent also maintains a dedicated investment platform for private investments in Latin America, private investments in technology companies, and a fund that invests in public equities.

■ Investment Strategy

- The Fund will pursue control-oriented buyouts and recapitalizations of mid- to large-sized businesses.
- The Fund will primarily target companies in Europe and North America. Of note, however, the Fund is expected to invest some capital outside of these core geographies, primarily in Latin America or Asia.
- Targeted companies typically have an enterprise value of \$200.0 million to \$5.0 billion at entry.
- The Fund will seek to make 30 to 35 investments with an average investment size between \$100.0 million and \$1.0 billion.
- The Fund will not have any sector allocation targets but will invest across the Firm's five core verticals: (i) business & financial services, (ii) healthcare, (iii) industrial, (iv) retail, consumer & leisure, and (v) technology, media & telecommunications.

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Advent's response to LACERS Diversity Questionnaire:

"Advent is unable to fill out the workforce composition spreadsheet. With offices in 10 countries across the world, there are a large number of nationalities represented. In addition, recent privacy regulations passed by the EU prevent disclosure of certain employee information."

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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Investment Monitoring	<ul style="list-style-type: none"> Review quarterly, annual, and other periodic monitoring reports. Approve sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s) 	<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 and consents. Execute amendments to agreements and consents. Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence. Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s). 	<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.



LACERS

LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: AUGUST 27, 2019

ITEM: IX – F

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$15 MILLION IN ADVENT GLOBAL TECHNOLOGY, L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$15 million in Advent Global Technology, L.P.

Executive Summary

Advent Global Technology, L.P. will pursue a control-oriented strategy, primarily across Europe and North America in the software and technology-enabled services industries.

Discussion

Consultant Recommendation

TorreyCove Capital Partners LLC (TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to \$15 million in Advent Global Technology, L.P. (the Fund), a buyout strategy managed by Advent International Corporation (the GP or Advent). 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

Advent was founded in Boston in 1984 by Peter Brooke as a spin-out from TA Associates. In 1989, the firm raised \$231 million for its first European buyout fund, which served as the platform for the firm's Global Private Equity (GPE) program. To date, Advent has invested over \$44 billion and employs over 400 people, including 195 investment professionals located in Boston (headquarters), New York, Palo Alto, London, Paris, Frankfurt, Madrid, Luxembourg, Hong Kong, Shanghai, Mumbai, Mexico City, São Paulo, Bogotá, and Lima. The firm manages over \$36 billion in assets.

LACERS has an existing general partner relationship with Advent and previously committed a total of \$85 million to the following Advent-sponsored funds:

Fund	Vintage Year	Commitment Amount	Net IRR^{1,2}
Advent International GPE VI, L.P.	2008	\$20 million	17.1%
Advent International GPE VII, L.P.	2012	\$30 million	16.3%
Advent International GPE VIII, L.P.	2016	\$35 million	9.1%

The Advent Global Technology Fund targets enterprise software companies, while the flagship Advent International GPE funds invest in multiple industries such as: business & financial services, healthcare, industrial, retail, consumer & leisure, and technology, media & telecommunications.

Investment Thesis

The Fund will pursue a control-oriented strategy, primarily across Europe and North America in the software and technology-enabled services industries. These firms typically have strong market positions with enterprise values between \$150 million and \$5 billion. The GP assists portfolio companies with growth through pricing optimization, salesforce reorganization, and international expansion. 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 Advent Global Technology, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Investments 2019 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Wilkin Ly, Investment Officer III, Investment Division

RJ/BF/WL:sg

- Attachments:
1. TorreyCove Investment Notification
 2. Workforce Composition
 3. Discretion in a Box

¹Performance as of December 31, 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).



CALIFORNIA

10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS

222 Rosewood Drive
3rd Floor
Danvers, MA 01923

Advent Global Technology, L.P. Investment Notification

Fund Information

- **General Partner:** Advent International Corporation (the “Firm” or “Advent”)
- **Fund:** Advent Global Technology, L.P. (the “Fund”)
- **Firm Founded:** 1984
- **Strategy:** Buyouts
- **Sub-Strategy:** Medium Buyouts
- **Geography:** Primarily North America and Europe
- **Team:** ~25 dedicated technology investment professionals
- **Senior Partners:** Bryan Taylor, Eric Wei
- **Office Locations¹:** Palo Alto, New York, London
- **Industries:** Software and technology-enabled services
- **Recommendation:** Up to \$15.0 million

Investment Highlights

- Bryan Taylor has a successful track record investing in technology companies at institutions such as TPG and Symphony Technology Group
- Long-standing personal and professional relationship between Messrs. Taylor and Wei
- The Fund and its professionals will be augmented by the broader Advent organization

1. The broader Advent platform has 15 offices globally. The three offices listed are the primary investment offices for the Fund.

Advent Global Technology, L.P.

■ Firm and Background

- Advent was founded by Peter Brooke in 1984. Today, the Firm is led by 12 Managing Directors, 11 of which have a tenure of 14 years or more.
- Advent’s technology platform, known as AGT, was created in 2019 and this represents the first fund for the new platform.
- Bryan Taylor joined the Firm in early 2019 to lead the AGT platform. Prior to joining Advent, Mr. Taylor spent almost 20 years making investments across the technology sector, most recently as co-head of TPG Capital’s technology group. Prior to TPG, Mr. Taylor was a founder and Managing Director at Symphony Technology Group, a private equity firm focused exclusively on software and technology services investments.
- Advent recently opened an office in Palo Alto, CA, which will serve as the primary office for the AGT team.

■ Investment Strategy

- The Fund will target 10 to 20 North American and European technology companies with enterprise values between \$150.0 million and \$5.0 billion at entry.
- The Fund will primarily target enterprise software companies; however, other areas of interest include cybersecurity, education, and IT infrastructure.
- Broadly speaking, the Fund will co-invest alongside the Firm’s Global Private Equity (“GPE”) funds in larger technology deals and will also target opportunities that are too small for GPE funds to pursue.
- The Fund will primarily focus on control-oriented management buyouts; however, the Fund will also have the ability to pursue minority growth investments, carve-outs, and take-private transactions.

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Advent's response to LACERS Diversity Questionnaire:

"Advent is unable to fill out the workforce composition spreadsheet. With offices in 10 countries across the world, there are a large number of nationalities represented. In addition, recent privacy regulations passed by the EU prevent disclosure of certain employee information."

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 \$50 million prior to investment. Review and approve investments in follow-on partnerships of amounts greater than \$100 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 \$50 million for new partnerships, and up to \$100 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 \$50 million in new partnerships, or over \$100 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 \$50 million for new managers, or over \$100 million in follow-on funds. With staff concurrence, approve investment of up to \$50 million for new partnerships, and up to \$100 million in follow-on funds. Provide investment analysis report for each new investment and sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s). 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. Approve sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s) 	<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 and consents. Execute amendments to agreements and consents. Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence. Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s). 	<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

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: AUGUST 27, 2019

ITEM: IX - G

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$50 MILLION IN PLATINUM EQUITY CAPITAL PARTNERS V, L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$50 million in Platinum Equity Capital Partners V, L.P.

Executive Summary

Platinum Equity Capital Partners V, L.P. will focus on control investments in underperforming businesses in North America and Europe.

Discussion

Consultant Recommendation

TorreyCove Capital Partners LLC (TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to \$50 million in Platinum Equity Capital Partners V, L.P. (the Fund), a buyout strategy managed by Platinum Equity Advisors LLC (the GP or Platinum). 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

Platinum was founded in 1995 by Tom Gores, an entrepreneur and business operator who continues to lead the firm today. The GP has offices in Los Angeles (headquarters), New York, Boston, Greenwich, London, and Singapore, and consists of 260 employees. The firm has \$13 billion in assets under management and has completed over 250 acquisitions in a broad range of industries.

LACERS has an existing general partner relationship with Platinum and previously committed a total of \$62.5 million to the following Platinum-sponsored funds:

Fund	Vintage Year	Commitment Amount	Net IRR ^{1,2}
Platinum Equity Capital Partners III, L.P.	2011	\$25 million	30.7%
Platinum Equity Capital Partners IV, L.P.	2016	\$15 million	36.2%
Platinum Equity Small Cap Fund, L.P.	2018	\$22.5 million	-51.0%

Investment Thesis

The Fund will focus on control investments in underperforming businesses in North America and Europe. Representative transaction types include corporate divestitures, special situations, public-to-private company conversions, and restructurings. The GP will utilize its operational expertise in areas such as accounting and finance, human resources, information technology, and sales and marketing to stabilize the companies and improve valuations. 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 Platinum Equity Capital Partners V, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Investments 2019 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Wilkin Ly, Investment Officer III, Investment Division

RJ/BF/WL:sg

Attachments: 1) TorreyCove Investment Notification
 2) Workforce Composition
 3) Discretion in a Box

¹Performance as of December 31, 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).



BOARD Meeting: 08/27/19
Item IX-G
Attachment 1

CALIFORNIA

10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS

222 Rosewood Drive
3rd Floor
Danvers, MA 01923

Platinum Equity Capital Partners V, L.P. Investment Notification

Fund Information

- **General Partner:** Platinum Equity Advisors LLC (the “Firm”)
- **Fund:** Platinum Equity Capital Partners V, L.P. (the “Fund”)
- **Firm Founded:** 1995
- **Strategy:** Buyouts
- **Sub-Strategy:** Large Buyouts
- **Geography:** North America and Europe
- **Team:** ~150 investment professionals
- **Senior Partners:** Tom Gores (Chairman and CEO), Jacob Kotzubei, Johnny Lopez, Philip Norment, Louis Samson and Bob Wentworth
- **Office Locations:** Los Angeles, Boston, Greenwich, New York, London, Singapore
- **Industries:** Diversified
- **Recommendation:** Up to \$50.0 million

Investment Highlights

- Experienced, cohesive investment team
- Consistent turnaround investment strategy that has been successfully implemented in prior funds
- Strong realized performance with low loss ratios

Platinum Equity Capital Partners V, L.P.

■ Firm and Background

- Platinum was formed in 1995 by Tom Gores.
- Today, Mr. Gores continues to oversee high-level strategic decision making through his involvement on the Firm's Investment and Executive Committees, while the Firm's Partners lead the day-to-day operations.
- The Firm maintains an investment team of approximately 150 investment professionals that are broken out into three functional groups; the Business Development Group, the M&A&O Group, and the Portfolio Operations Group, with investment-oriented Partners taking leadership roles within each group.
- In 2018, Platinum created a new platform and raised its first dedicated small cap-focused turnaround fund. For the first small cap fund, investment professionals previously dedicated solely to the flagship platform will allocate time to both platforms.

■ Investment Strategy

- The Fund will pursue control investments in underperforming, undermanaged, and undervalued businesses operating in the mid- and large-cap space.
- The Fund will target businesses with an average enterprise value of \$1.0 billion and a range between \$150.0 million and \$5.0 billion.
- Geographically, the Fund will invest predominately in North America and Western Europe but will also opportunistically review investments in other geographies.
- The Fund projects to make 20 to 30 investments that will require an average check size of \$300.0 million.
- Platinum's investment strategy focuses on identifying attractive investment opportunities based on favorable entry valuations, potential for operational improvement, and downside protection through defensible company characteristics and short holding periods.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE.

THESE MATERIALS ARE NOT INTENDED AS AN OFFER TO SELL, OR THE SOLICITATION OF AN OFFER TO PURCHASE, ANY SECURITY. THIS PRESENTATION HAS BEEN PREPARED SOLELY FOR INFORMATIONAL AND DISCUSSION PURPOSES ONLY. THE INFORMATION HEREIN IS NOT INTENDED TO BE COMPLETE AND THE DESCRIPTION OF THE FUND IN THESE MATERIALS IS QUALIFIED IN ITS ENTIRETY BY THE TERMS AND INFORMATION CONTAINED IN THE FUND'S OFFERING DOCUMENTS, INCLUDING, WITHOUT LIMITATION, THE FUND'S PRIVATE PLACEMENT MEMORANDUM, PARTNERSHIP AGREEMENT AND SUBSCRIPTION AGREEMENT ("GOVERNING DOCUMENTS"). NOTHING HEREIN CONSTITUTES OR SHOULD NOT BE CONSTRUED AS INVESTMENT ADVICE.

THE INFORMATION HEREIN IS NOT INTENDED TO PROVIDE, AND SHOULD NOT BE RELIED UPON FOR, ACCOUNTING, TAX OR LEGAL ADVICE. YOU SHOULD CONSULT YOUR TAX, LEGAL AND/OR ACCOUNTING ADVISERS ABOUT ANY MATTERS DISCUSSED HEREIN.

INTERESTS IN THE FUND HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER ANY STATE OR OTHER SECURITIES LAWS OR THE LAWS OF ANY NON-U.S. JURISDICTION. THE INTERESTS WILL BE OFFERED AND SOLD FOR INVESTMENT ONLY TO QUALIFYING INVESTORS PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS OF THE STATES AND OTHER JURISDICTIONS (INCLUDING NON-U.S. JURISDICTIONS) WHERE THE OFFERING WILL BE MADE. THERE WILL BE NO PUBLIC MARKET FOR INTERESTS IN THE FUND, AND THERE IS NO OBLIGATION ON THE PART OF ANY PERSON TO REGISTER THE INTERESTS UNDER THE SECURITIES ACT. INTERESTS IN THE FUND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND ANY APPLICABLE NON-U.S. SECURITIES LAWS, PURSUANT TO REGISTRATION OR AN EXEMPTION THEREFROM. THE TRANSFERABILITY OF THE INTERESTS WILL BE FURTHER RESTRICTED BY THE TERMS OF THE FUND'S GOVERNING DOCUMENTS. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE FUND FOR AN INDEFINITE PERIOD OF TIME.

NONE OF THE INFORMATION CONTAINED HEREIN WAS PREPARED BY THE FUND OR ANY UNDERLYING PORTFOLIO FUNDS IDENTIFIED HEREIN, IF ANY, THE GENERAL PARTNERS THEREOF OR ANY OF THEIR RESPECTIVE AFFILIATES. BY ACCEPTING THESE MATERIALS, YOU HEREBY ACKNOWLEDGE AND AGREE TO ALL OF THE TERMS AND CONDITIONS IN THESE DISCLOSURES.

Vendor **Name: Platinum Equity Advisors, LLC**
 Address **Address: 360 North Crescent Drive, Beverly Hills, CA 90210**

Date Completed: **April 25, 2019**

Category **Asset Class: Private Equity**

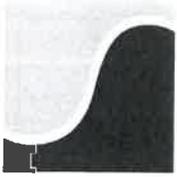
TOTAL COMPOSITION OF WORK FORCE											
Occupation	African	Hispanic	Asian or	American Indian/	Caucasian	2 or More Races	Unknown or Prefer	Total	Percent (%)	Gender	
	American	Full Time	Pacific Islander	Alaskan Native	(Non Hispanic)		Not to Respond			Employees	Minority
	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time
Officials & Managers	0	1	3	0	52	1	3	60	13.33%	52	8
Professionals	1	3	26	0	86	0	11	127	32.28%	107	20
Technicians	0	0	0	0	0	0	0	0	0.00%	0	0
Sales Workers	0	0	0	0	0	0	0	0	0.00%	0	0
Office/Clerical	2	3	6	0	21	7	4	43	51.16%	1	42
Semi-Skilled	0	4	6	0	7	0	0	17	58.82%	6	11
Unskilled	0	0	0	0	0	0	0	0	0.00%	0	0
Service Workers	0	8	0	0	4	1	0	13	69.23%	8	5
Other	0	0	0	0	0	0	0	0	0.00%	0	0
Total	3	19	41	0	170	9	18	260	24.23%	174	86

Officials and Managers include Partners and Principals
 Professionals include Senior VPs and below in the investment team and other professionals staff

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 \$50 million prior to investment. Review and approve investments in follow-on partnerships of amounts greater than \$100 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 \$50 million for new partnerships, and up to \$100 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 \$50 million in new partnerships, or over \$100 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 \$50 million for new managers, or over \$100 million in follow-on funds. With staff concurrence, approve investment of up to \$50 million for new partnerships, and up to \$100 million in follow-on funds. Provide investment analysis report for each new investment and sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s). 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. Approve sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s) 	<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 and consents. Execute amendments to agreements and consents. Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence. Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s). 	<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

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: AUGUST 27, 2019

ITEM: IX – H

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$35 MILLION IN TA XIII, L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$35 million in TA XIII, L.P.

Executive Summary

TA XIII, L.P. invests in profitable middle-market growth companies in the following sectors: technology, healthcare, financial services, and consumer and business services.

Discussion

Consultant Recommendation

TorreyCove Capital Partners LLC (TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to \$35 million in TA XIII, L.P. (the Fund), a buyout and growth equity strategy managed by TA Associates Management (the GP or TA). 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

TA Associates Management, L.P. (TA) was founded in 1968 by Peter Brooke. The firm currently invests in late-stage, venture, expansion, growth equity, and middle-market buyouts. Since the firm's inception, TA has invested more than \$23 billion of capital. The firm has 85 investment professionals and offices in Boston (headquarters), Menlo Park, Mumbai, London, and Hong Kong.

LACERS has an existing general partner relationship with TA and previously committed a total of \$51 million to the following TA-sponsored funds:

Fund	Vintage Year	Commitment Amount	Net IRR ^{1,2}
TA X, L.P.	2006	\$6 million	5.2%
TA XI, L.P.	2010	\$20 million	22.8%
TA XII-A, L.P.	2016	\$25 million	28.6%

Investment Thesis

The GP seeks to invest in profitable middle-market growth companies with solid management teams in the following sectors: technology, healthcare, financial services, and consumer and business services. The GP adds value by helping portfolio companies with mergers and acquisitions, recruiting senior management and board members, developing and executing growth strategies, and optimizing cost and capital structures. Furthermore, the GP relies on portfolio companies' earnings growth as the primary source of returns and works to drive organic growth through geographic and vertical expansion, pricing, and customer analytics. 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 TA XIII, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Investments 2019 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Wilkin Ly, Investment Officer III, Investment Division

RJ/BF/WL:sg

Attachments: 1) TorreyCove Investment Notification
 2) Workforce Composition
 3) Discretion in a Box

¹Performance as of December 31, 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).



BOARD Meeting: 08/27/19
Item IX-H
Attachment 1

CALIFORNIA

10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS

222 Rosewood Drive
3rd Floor
Danvers, MA 01923

TA XIII, L.P. Investment Notification



Fund Information

- **General Partner:** TA Associates Management (“TA” the “Firm” or the “General Partner”)
- **Fund:** TA XIII, L.P.
- **Firm Founded:** 1968
- **Strategy:** Buyouts and Growth Equity
- **Sub-Strategy:** Medium Buyouts
- **Geography:** Primarily North America and Europe
- **Team:** ~90 investment professionals
- **Senior Partners:** Brian Conway, Ajit Nedungadi
- **Office Locations:** Boston, Menlo Park, London, Mumbai, Hong Kong
- **Industries:** Technology, healthcare, financial services, consumer, and business services
- **Recommendation:** Up to \$35.0 million

Investment Highlights

- Large, cohesive, and experienced leadership team
- Institutionalized firm with significant resources and prudent decision-making process
- Strong overall returns that are fairly consistent across prior funds

TA XIII, L.P.

■ Firm and Background

- TA Associates was founded in 1968 by Peter Brooke who was joined by Kevin Landry shortly thereafter.
- In 1984, Mr. Brooke left TA to start what would later become Advent International, and Mr. Landry assumed his role as the Firm’s CEO.
- The Firm initially pursued a wide range of domestic and international venture capital and growth investments under the “Advent” fund series; however, given the departure of Mr. Brooks and the formalization of the current investment strategy, the Firm rebranded under the “TA” equity funds moniker with the formation of TA IX in 2000.
- Today, TA is focused primarily on profitable growth stage investments in the middle market, and the Firm has grown into a global investment platform with ~90 investment professionals.

■ Investment Strategy

- The Fund will pursue both minority and controlling equity stakes of profitable middle market companies operating in high-growth industries.
- TA is organized around five sector verticals that include: (i) technology; (ii) financial services; (iii) healthcare; (iv) business services; and (v) consumer.
- TA has largely targeted companies domiciled in North America and Europe; however, the Fund will have the ability to invest outside of these core geographies.
- The Fund will seek to invest \$75.0 million to \$400.0 million of equity into 60 companies with enterprise values ranging between \$100.0 million and \$500.0 million.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE.

THESE MATERIALS ARE NOT INTENDED AS AN OFFER TO SELL, OR THE SOLICITATION OF AN OFFER TO PURCHASE, ANY SECURITY. THIS PRESENTATION HAS BEEN PREPARED SOLELY FOR INFORMATIONAL AND DISCUSSION PURPOSES ONLY. THE INFORMATION HEREIN IS NOT INTENDED TO BE COMPLETE AND THE DESCRIPTION OF THE FUND IN THESE MATERIALS IS QUALIFIED IN ITS ENTIRETY BY THE TERMS AND INFORMATION CONTAINED IN THE FUND'S OFFERING DOCUMENTS, INCLUDING, WITHOUT LIMITATION, THE FUND'S PRIVATE PLACEMENT MEMORANDUM, PARTNERSHIP AGREEMENT AND SUBSCRIPTION AGREEMENT ("GOVERNING DOCUMENTS"). NOTHING HEREIN CONSTITUTES OR SHOULD NOT BE CONSTRUED AS INVESTMENT ADVICE.

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INTERESTS IN THE FUND HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER ANY STATE OR OTHER SECURITIES LAWS OR THE LAWS OF ANY NON-U.S. JURISDICTION. THE INTERESTS WILL BE OFFERED AND SOLD FOR INVESTMENT ONLY TO QUALIFYING INVESTORS PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS OF THE STATES AND OTHER JURISDICTIONS (INCLUDING NON-U.S. JURISDICTIONS) WHERE THE OFFERING WILL BE MADE. THERE WILL BE NO PUBLIC MARKET FOR INTERESTS IN THE FUND, AND THERE IS NO OBLIGATION ON THE PART OF ANY PERSON TO REGISTER THE INTERESTS UNDER THE SECURITIES ACT. INTERESTS IN THE FUND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND ANY APPLICABLE NON-U.S. SECURITIES LAWS, PURSUANT TO REGISTRATION OR AN EXEMPTION THEREFROM. THE TRANSFERABILITY OF THE INTERESTS WILL BE FURTHER RESTRICTED BY THE TERMS OF THE FUND'S GOVERNING DOCUMENTS. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE FUND FOR AN INDEFINITE PERIOD OF TIME.

NONE OF THE INFORMATION CONTAINED HEREIN WAS PREPARED BY THE FUND OR ANY UNDERLYING PORTFOLIO FUNDS IDENTIFIED HEREIN, IF ANY, THE GENERAL PARTNERS THEREOF OR ANY OF THEIR RESPECTIVE AFFILIATES. BY ACCEPTING THESE MATERIALS, YOU HEREBY ACKNOWLEDGE AND AGREE TO ALL OF THE TERMS AND CONDITIONS IN THESE DISCLOSURES.

Vendor
 Address

Name: TA Associates
Address: 200 Clarendon Street, 56th Floor, Boston, MA 02116

Date Completed: April 2019

Category

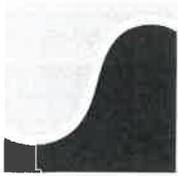
Asset Class: Private Equity

TOTAL COMPOSITION OF WORK FORCE*									
Occupation	African American Full Time	Hispanic Full Time	Asian or Pacific Islander Full Time	American Indian/ Alaskan Native Full Time	Caucasian (Non Hispanic) Full Time	Total Employees Full Time	Percent (%) Minority Full Time	Gender Full Time	
								Male	Female
Officials & Managers		1	4		53	58	8.62%	40	19
Professionals	1	2	10		29	42	30.95%	28	13
Technicians							0.00%		
Sales Workers							0.00%		
Office/Clerical		2			16	18	11.11%	2	16
Semi-Skilled							0.00%		
Unskilled							0.00%		
Service Workers							0.00%		
Other							0.00%		
Total	1	5	14	0	98	118	16.95%	70	48

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 \$50 million prior to investment. Review and approve investments in follow-on partnerships of amounts greater than \$100 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 \$50 million for new partnerships, and up to \$100 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 \$50 million in new partnerships, or over \$100 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 \$50 million for new managers, or over \$100 million in follow-on funds. With staff concurrence, approve investment of up to \$50 million for new partnerships, and up to \$100 million in follow-on funds. Provide investment analysis report for each new investment and sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s). 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. Approve sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s) 	<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 and consents. Execute amendments to agreements and consents. Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence. Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s). 	<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

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: AUGUST 27, 2019

ITEM: IX – I

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$35 MILLION IN NEW ENTERPRISE ASSOCIATES 17, L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$35 million in New Enterprise Associates 17, L.P.

Executive Summary

New Enterprise Associates 17, L.P. focuses on technology venture capital investments and partners with entrepreneurs to build high growth companies within the technology and healthcare sectors.

Discussion

Consultant Recommendation

TorreyCove Capital Partners LLC (TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to \$35 million in New Enterprise Associates 17 (the Fund), a venture capital strategy managed by NEA, LLC (the GP or NEA). 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

NEA was formed in 1977 and focuses on technology venture capital investments. The GP has 126 employees and more than \$20 billion in committed capital across 16 funds. Scott Sandell currently serves as the Managing General Partner and has been with NEA since 1995. The GP has offices in Menlo Park, CA (headquarters), San Francisco, New York, Boston, Chevy Chase, MD, and Timonium, MD.

LACERS has an existing general partner relationship with NEA and previously committed a total of \$60 million to the following NEA-sponsored funds:

Fund	Vintage Year	Commitment Amount	Net IRR^{1,2}
New Enterprise Associates 13, L.P.	2009	\$15 million	13.8%
New Enterprise Associates 15, L.P.	2015	\$20 million	21.8%
New Enterprise Associates 16, L.P.	2017	\$25 million	15.5%

Investment Thesis

NEA partners with entrepreneurs to build high growth companies within the technology and healthcare sectors. The investment strategy spans all stages of the business growth cycle, including seeding innovations, funding early-stage companies, and providing growth capital to their portfolio companies. The GP adds value by providing guidance and support in the areas of operations, recruiting, marketing, strategy, and finance.

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 New Enterprise Associates 17, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Investments 2019 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Wilkin Ly, Investment Officer III, Investment Division

RJ/BF/WL:sg

- Attachments:
1. TorreyCove Investment Notification
 2. Workforce Composition
 3. Discretion in a Box

¹Performance as of December 31, 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)



CALIFORNIA

10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS

222 Rosewood Drive
3rd Floor
Danvers, MA 01923

New Enterprise Associates 17, L.P. Investment Notification

Fund Information

- **General Partner:** NEA, LLC (“NEA” or the “Firm”)
- **Fund:** New Enterprise Associates 17, L.P. (the “Fund”)
- **Firm Founded:** 1977
- **Strategy:** Venture Capital
- **Sub-Strategy:** Diversified
- **Geography:** Primarily North America
- **Team:** ~50 investment professionals
- **Senior Partners:** Scott Sandell and Forest Baskett
- **Office Locations:** Menlo Park, San Francisco, New York, Boston, Chevy Chase and Timonium
- **Industries:** Information technology and healthcare
- **Recommendation:** Up to \$35.0 million

Investment Highlights

- Experienced, cohesive investment team with substantial domain experience
- Consistent investment approach that has been successfully implemented in prior funds
- Demonstrated ability to identify large winners to drive investment performance

New Enterprise Associates 17, L.P.

■ Firm and Background

- Founded in 1977 by Frank Bonsal, Richard Kramlich, and Chuck Newhall, NEA maintains a group of 40 dedicated investment professionals which are organized across the Firm's information technology and healthcare verticals.
- The Firm has successfully navigated four leadership transitions since its formation. Most recently, Scott Sandell assumed the role of Managing General Partner with the formation of NEA 16.
- While the organization has grown significantly over time, NEA remains dedicated to its flagship funds and has refrained from developing other products.

■ Investment Strategy

- Focused on multi-stage investments across five core subsectors within information technology and healthcare: (i) consumer technology, (ii) enterprise technology, (iii) biopharmaceuticals, (iv) healthcare services, and (v) medical technology.
- The Fund will look to execute roughly 130 transactions (not including seed investments); average deals sizes will range from \$250.0 thousand seed rounds to later-stage deals garnering \$100.0 million or more after follow-on rounds.
- The Fund will primarily focus on North American opportunities but may allocate up to 25.0% of commitments internationally.
- The Fund will focus on augmenting existing management teams, formulating go-to-market strategies, obtaining strategic partnerships, and advising on financial matters.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE.

THESE MATERIALS ARE NOT INTENDED AS AN OFFER TO SELL, OR THE SOLICITATION OF AN OFFER TO PURCHASE, ANY SECURITY. THIS PRESENTATION HAS BEEN PREPARED SOLELY FOR INFORMATIONAL AND DISCUSSION PURPOSES ONLY. THE INFORMATION HEREIN IS NOT INTENDED TO BE COMPLETE AND THE DESCRIPTION OF THE FUND IN THESE MATERIALS IS QUALIFIED IN ITS ENTIRETY BY THE TERMS AND INFORMATION CONTAINED IN THE FUND'S OFFERING DOCUMENTS, INCLUDING, WITHOUT LIMITATION, THE FUND'S PRIVATE PLACEMENT MEMORANDUM, PARTNERSHIP AGREEMENT AND SUBSCRIPTION AGREEMENT ("GOVERNING DOCUMENTS"). NOTHING HEREIN CONSTITUTES OR SHOULD NOT BE CONSTRUED AS INVESTMENT ADVICE.

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INTERESTS IN THE FUND HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER ANY STATE OR OTHER SECURITIES LAWS OR THE LAWS OF ANY NON-U.S. JURISDICTION. THE INTERESTS WILL BE OFFERED AND SOLD FOR INVESTMENT ONLY TO QUALIFYING INVESTORS PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS OF THE STATES AND OTHER JURISDICTIONS (INCLUDING NON-U.S. JURISDICTIONS) WHERE THE OFFERING WILL BE MADE. THERE WILL BE NO PUBLIC MARKET FOR INTERESTS IN THE FUND, AND THERE IS NO OBLIGATION ON THE PART OF ANY PERSON TO REGISTER THE INTERESTS UNDER THE SECURITIES ACT. INTERESTS IN THE FUND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND ANY APPLICABLE NON-U.S. SECURITIES LAWS, PURSUANT TO REGISTRATION OR AN EXEMPTION THEREFROM. THE TRANSFERABILITY OF THE INTERESTS WILL BE FURTHER RESTRICTED BY THE TERMS OF THE FUND'S GOVERNING DOCUMENTS. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE FUND FOR AN INDEFINITE PERIOD OF TIME.

NONE OF THE INFORMATION CONTAINED HEREIN WAS PREPARED BY THE FUND OR ANY UNDERLYING PORTFOLIO FUNDS IDENTIFIED HEREIN, IF ANY, THE GENERAL PARTNERS THEREOF OR ANY OF THEIR RESPECTIVE AFFILIATES. BY ACCEPTING THESE MATERIALS, YOU HEREBY ACKNOWLEDGE AND AGREE TO ALL OF THE TERMS AND CONDITIONS IN THESE DISCLOSURES.

EEO-1 Summary Equivalent Data

	Hispanic/Latino		Male					Female					Total	
	Male	Female	White	Black of	Native	American	Two or	White	Black of	Native	American	Two or		
				African	Hawaiin	Indian or			Alaska	African	Hawaiin			Indian or
			American	or Pacific	Alaska	Races	American	or Pacific	Alaska	Races				
Managers		1	17			3		10			1		32	
Professionals	1	2	31			9		18	1		3		65	
Administrative Support Workers		2	1					25				1	29	
Totals	1	5	49	0	0	12	0	53	1	0	4	0	1	126

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 \$50 million prior to investment. Review and approve investments in follow-on partnerships of amounts greater than \$100 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 \$50 million for new partnerships, and up to \$100 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 \$50 million in new partnerships, or over \$100 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 \$50 million for new managers, or over \$100 million in follow-on funds. With staff concurrence, approve investment of up to \$50 million for new partnerships, and up to \$100 million in follow-on funds. Provide investment analysis report for each new investment and sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s). 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. Approve sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s) 	<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 and consents. Execute amendments to agreements and consents. Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence. Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s). 	<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.



TORREYCOVE
CAPITAL PARTNERS

CALIFORNIA

10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS

222 Rosewood Drive
3rd Floor
Danvers, MA 01923

Continued Discussion on Private Equity Investment Management - TorreyCove Investment Research Process





Agenda

- Investment Research Process
- Emerging and/or Diverse Managers



Investment Research Process



Private Equity

U.S. Buyouts

Global Buyouts

Venture &
Growth

Secondaries
(Funds)

Large

Middle
Market

Small

Europe

Asia

Latin
America

Private Credit

Mezzanine

Distressed Debt

Direct Lending

Credit Hedge Funds

Real Assets

Energy

Infrastructure

Metals & Mining

Agriculture

Timber

Royalties



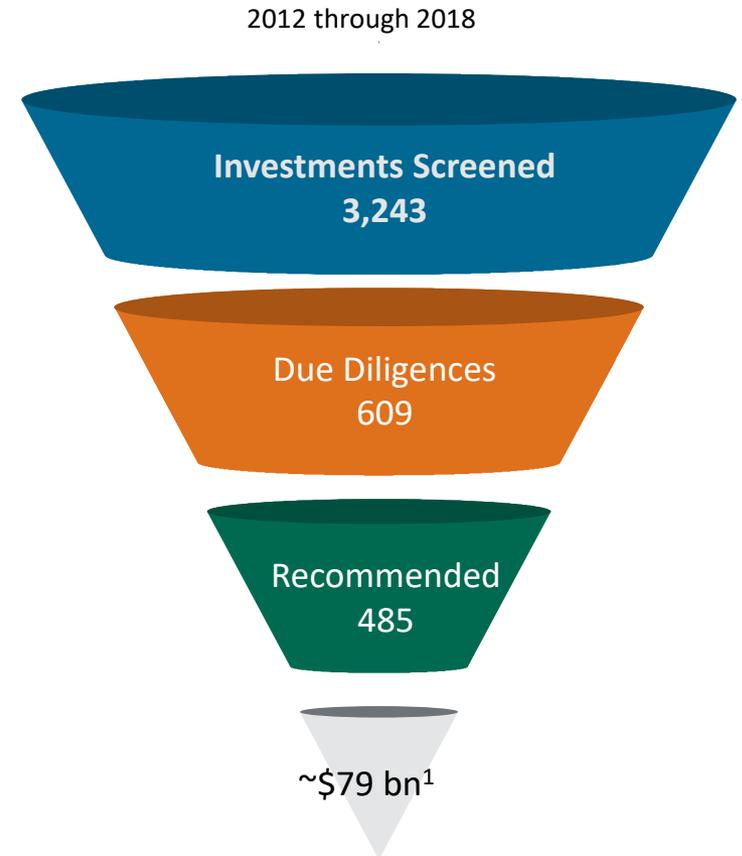


Due Diligence Considerations

Strategy Review	Management Assessment	Track Record	Fund Structure
<ul style="list-style-type: none"> • TorreyCove preferences: <ul style="list-style-type: none"> ◦ Identifiable, sustainable, active value creation strategy ◦ Sector-focused expertise ◦ Operational expertise • Competitive advantages • Access to unique deal flow • Market opportunity and outlook • Historical adherence to strategy • Size of fund relative to strategy 	<ul style="list-style-type: none"> • Experience and history of working together • Time and attention – firm resources and bandwidth • Investment/divestment decision makers and process • Ownership/compensation structure • Turnover • Operational processes and controls • Reference calls • Affiliates and related organizations 	<ul style="list-style-type: none"> • Analyses of return drivers (e.g., operating improvements, multiple expansion, and leverage) • Performance benchmarking using proprietary techniques and a proprietary database • Performance by investment type, geography, investment year, industry, and other granular portfolio analysis • Detailed valuation analysis of unrealized investments • Returns across market cycles • Attribution of performance • Assessment of risk, including loss ratios 	<p>Alignment of Interests with LPs</p> <ul style="list-style-type: none"> • Fee sharing with LPs • Amount of profits from management fees • Return hurdle applied to carried interest • Amount of GP commitment <p>Terms</p> <ul style="list-style-type: none"> • Conflicts of interest • Key person clause • Governance • End of life issues • Appropriate fund size • Investment guidelines • Use of credit lines and terms

Research is the Foundation of Our Investment Process

- ❖ We see the global market, and are active participants
- ❖ Specialist Focus Teams lead the research effort and develop investment theses with respect to each domain
- ❖ Focus Teams also drive the sourcing effort through the development of unique market insight and robust relationships within their domains
- ❖ Credible sourcing requires a structured proactive approach, access can take years to facilitate
- ❖ The Firm has developed a strong brand, as a sophisticated and transparent counterpart



¹ Represents Investment Committee approvals from 2012 through 2018 and will differ from actual client closed commitments.

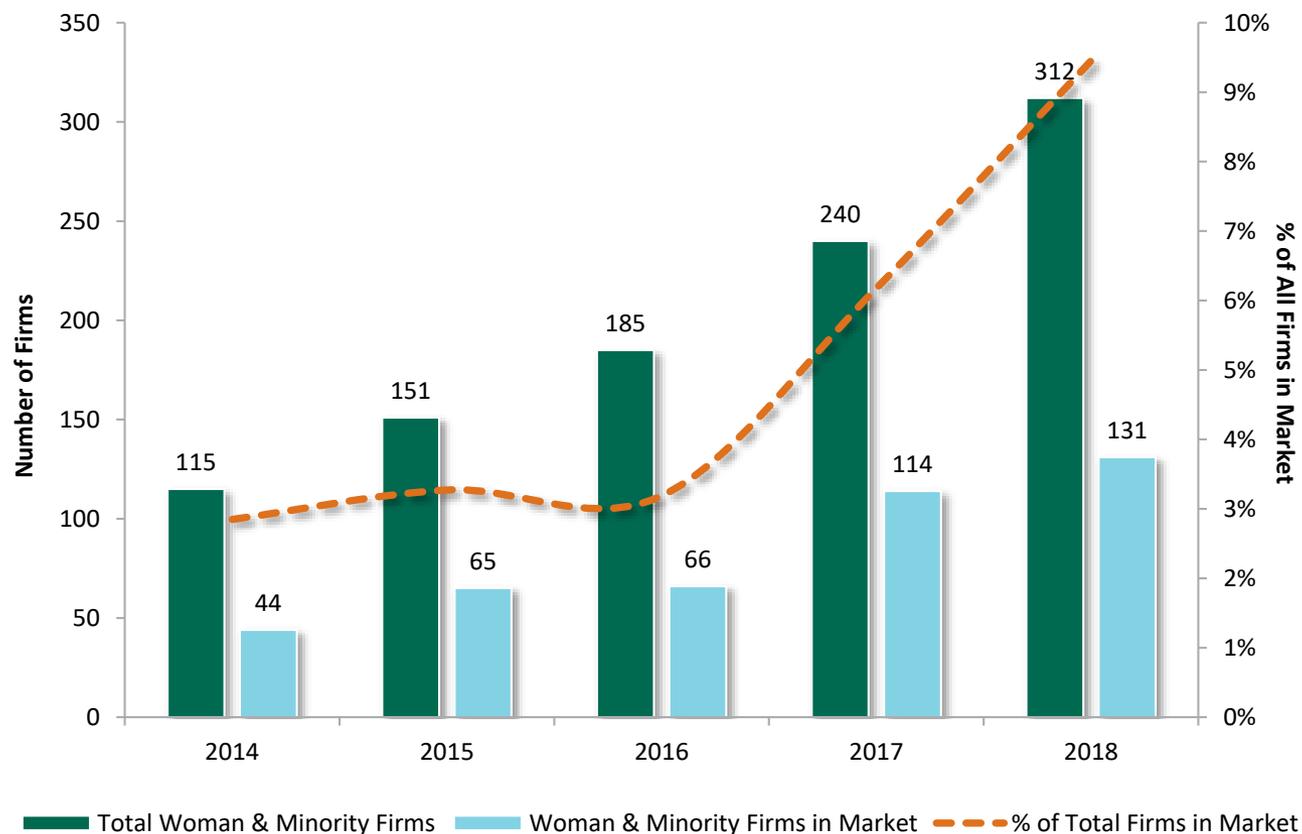


Emerging and/or Diverse Managers

The number of woman and minority-owned private equity firms has consistently grown in recent years

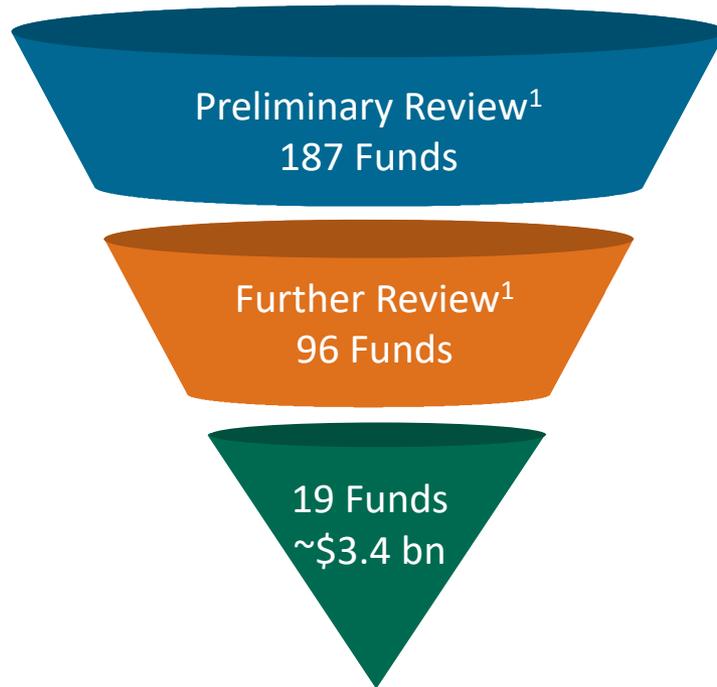
Illustrative example based on Private Equity Market Data

- 131 woman and minority-owned private equity firms were raising capital in 2018
- While the universe has more than doubled since 2015, woman and minority-owned firms represent less than 10% of all PE firms in market during 2018





TorreyCove's 2018 Activity at a Glance – Emerging and/or Diverse Managers



Preliminary Review

Initial review of identified investment opportunities

Further Review

Additional work such as an in-person or telephonic meeting, usually with a detailed track record review.

Amount Invested

In Emerging and/or Diverse Managers in 2018

1) TorreyCove defines an "Emerging" Manager as a first- or second-time institutional fund and a "Diverse" manager as a fund with any percentage of woman or minority ownership.



TorreyCove Emerging Manager Experience

- ✓ We create custom emerging manager filters for our clients

- ✓ We are active with organizations that promote diversity and inclusion:
 - Robert A. Toigo Foundation
 - Association of Asian American Investment Managers (AAAIM)
 - National Association of Securities Professionals (NASP)
 - Women in Private Equity Network (PEWIN)
 - National Association of Investment Companies (NAIC)

- ✓ We regularly attend Emerging and/or Diverse Manager focused conferences and LP events

- ✓ We proactively source ideas from EM conferences and organizations

- ✓ We often provide advice to first time managers

- ✓ We have an open-door policy for emerging manager general partner

- ✓ TorreyCove has led the diligence and recommended the commitment of nearly \$23 billion of capital to 181 funds deemed to be minority-focused funds or emerging-manager funds¹

¹) As of 12/31/2018.