

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

January 28, 2020

10:05 a.m.

Agenda of: Feb. 11, 2020

Item No: II

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

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

I

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

II

APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF JANUARY 14, 2020 AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval, seconded by Vice President Wilkinson, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Vice President Wilkinson, and President Ruiz -5; Nays, None.

III

BOARD PRESIDENT VERBAL REPORT – There was no verbal report.

IV

GENERAL MANAGER VERBAL REPORT

- A. REPORT ON DEPARTMENT OPERATIONS – Lita Payne, Executive Officer, discussed the following items:
- LACERS is preparing a Popular Annual Financial Report (PAFR) in accordance with GFOA guidelines
 - LACERS & LAFPP Management Audit
 - LACERS is tracking two Council Motions introduced last year that are directed to LACERS and pending in the Budget & Finance Committee
 - On February 12th Mayor Eric Garcetti will be delivering the Keynote remarks at the Pacific Pension & Investment Insitutue 2020 Winter Roundtable in Pasadena
 - 1099s for retired Members will be mailed out at the end of January 2020
 - A LACERS communication update was sent out to active Members informing them of the impact of the change to the mortality table to retiring Members who may elect an additional survivor continuance beyond the default 50%
- B. UPCOMING AGENDA ITEMS – Ms. Payne stated the following items will be on an upcoming Board agenda:
- Semi-Annual Report of Business Plan Initiatives
 - Unit Spotlight – May be Service Processing Unit, possibly General Accounting
 - Actuarial Standards of Practice 51 Risk Report
 - Open Enrollment Closeout Report

V

BOARD/DEPARTMENT ADMINISTRATION

- A. RECEIVE AND FILE – LEGISLATIVE UPDATE OF JANUARY 2020 – Chhintana Kurimoto, Management Analyst presented and discussed this item with the Board for five minutes. This report was received by the Board and filed.
- B. RECEIVE AND FILE – COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2019 – This report was received by the Board and filed.
- C. RECEIVE AND FILE – LACERS POSTEMPLOYMENT HEALTH CARE FUND (115 TRUST) AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2019 – This report was received by the Board and filed.

VI

COMMITTEE REPORT(S)

- A. INVESTMENT COMMITTEE VERBAL REPORT ON THE REGULAR MEETING OF JANUARY 14, 2020 – Commissioner Serrano stated the Committee discussed the finalist firms of the active U.S. Small Cap Equities Investment Manager Search, Semi-Finalists of the Active Emerging

Markets Small Cap Equities Investment Manager Search, Investment Manager contracts with Principal Global Investors, LLC, PGIM, Inc., Dimensional Fund Advisors LP.

- B. INVESTMENT COMMITTEE VERBAL REPORT ON THE SPECIAL MEETING OF JANUARY 21, 2020 – Commissioner Serrano stated the Committee were presented with the Finalist Firms of the High Yield Fixed Income and Hybrid High Yield Fixed Income/Bank Loan Investment Manager Search.
- C. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT ON THE REGULAR MEETING OF JANUARY 28, 2020 – Vice President Wilkinson stated the Committee was presented the 2021 Health Plan Contract Renewal Update, LACERS *Well* 2019 Annual Report, and the Committee approved changes to the Aged Deceased Accounts with unrecoverable overpayments.

VII

INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, discussed the past portfolio value and the current value. The current value is listed on the Asset Allocation report that was forwarded to the Commissioners. Mr. June discussed the following items:
 - Jennifer Stevens informed staff that she is leaving The Townsend Group on March 15, 2020
 - NASP SoCal A Day of Education in Private Equity on Thursday, March 26, 2020, in Downtown Los Angeles
 - Future Board items: Finalist firms of the High Yield and High Yield/Bank Loans Hybrid Credit Investment Manager Search and international travel for an Investment Officer to conduct due diligence in London UK
- B. FINALIST FIRMS OF THE ACTIVE U.S. SMALL CAP EQUITIES INVESTMENT MANAGER SEARCH AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval of the Investment Committee recommendations and the following Resolutions:

**CONTRACT AUTHORIZATION
BERNZOTT CAPITAL ADVISORS
ACTIVE U.S. SMALL CAP VALUE EQUITIES
PORTFOLIO MANAGEMENT**

RESOLUTION 200128-A

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal for the U.S. Small Cap Equities Mandate investment manager search pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, performed an evaluation of the 142 proposals submitted; and

WHEREAS, on July 9, 2019, the Investment Committee reviewed NEPC's evaluation report of the proposals and concurred with the staff recommendation to advance 18 firms as semi-finalists in the search; and

WHEREAS, staff and NEPC conducted further due diligence on the 18 semi-finalists; and

WHEREAS, on December 2, 2019, the Investment Committee interviewed five finalists recommended by staff: Copeland Capital Management, LLC (core mandate finalist); EAM Investors, LLC and Granahan Investment Management (growth mandate finalists); Bernzott Capital Advisors and Segall Bryant & Hamill (value mandate finalists); and requested additional information on each firm's ability to manage risk; and

WHEREAS, on January 14, 2020, the Investment Committee considered the risk management information requested on December 2, 2019, and recommended all five finalists to the Board for consideration for hire; and

WHEREAS, on January 28, 2020, the Board approved the Investment Committee's recommendation to award a contract to Bernzott Capital Advisors.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes the Executive Officer to execute the necessary documents, subject to satisfactory business and legal terms and consistent with the following services and terms:

<u>Company Name:</u>	Bernzott Capital Advisors
<u>Service Provided:</u>	Active U.S. Small Cap Value Equities Portfolio Management
<u>Estimated Effective Date:</u>	April 1, 2020 through March 31, 2023
<u>Duration:</u>	Three years
<u>Benchmark:</u>	Russell 2000 Value Index
<u>Estimated Allocation:</u>	\$140 million

**CONTRACT AUTHORIZATION
COPELAND CAPITAL MANAGEMENT, LLC
ACTIVE U.S. SMALL CAP CORE EQUITIES
PORTFOLIO MANAGEMENT**

RESOLUTION 200128-A

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal for the U.S. Small Cap Equities Mandate investment manager search pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, performed an evaluation of the 142 proposals submitted; and

WHEREAS, on July 9, 2019, the Investment Committee reviewed NEPC's evaluation report of the proposals and concurred with the staff recommendation to advance 18 firms as semi-finalists in the search; and

WHEREAS, staff and NEPC conducted further due diligence on the 18 semi-finalists; and

WHEREAS, on December 2, 2019, the Investment Committee interviewed five finalists recommended by staff: Copeland Capital Management, LLC (core mandate finalist); EAM Investors, LLC and Granahan Investment Management (growth mandate finalists); Bernzott Capital Advisors and Segall Bryant & Hamill (value mandate finalists); and requested additional information on each firm's ability to manage risk; and

WHEREAS, on January 14, 2020, the Investment Committee considered the risk management information requested on December 2, 2019, and recommended all five finalists to the Board for consideration for hire; and

WHEREAS, on January 28, 2020, the Board approved the Investment Committee's recommendation to award a contract to Copeland Capital Management, LLC.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes the Executive Officer to execute the necessary documents, subject to satisfactory business and legal terms and consistent with the following services and terms:

<u>Company Name:</u>	Copeland Capital Management, LLC
<u>Service Provided:</u>	Active U.S. Small Cap Core Equities Portfolio Management
<u>Estimated Effective Date:</u>	April 1, 2020 through March 31, 2023
<u>Duration:</u>	Three years
<u>Benchmark:</u>	Russell 2000 Index
<u>Estimated Allocation:</u>	\$175 million

**CONTRACT AUTHORIZATION
EAM INVESTORS, LLC
ACTIVE U.S. SMALL CAP GROWTH EQUITIES
PORTFOLIO MANAGEMENT**

RESOLUTION 200128-A

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal for the U.S. Small Cap Equities Mandate investment manager search pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, performed an evaluation of the 142 proposals submitted; and

WHEREAS, on July 9, 2019, the Investment Committee reviewed NEPC's evaluation report of the proposals and concurred with the staff recommendation to advance 18 firms as semi-finalists in the search; and

WHEREAS, staff and NEPC conducted further due diligence on the 18 semi-finalists; and

WHEREAS, on December 2, 2019, the Investment Committee interviewed five finalists recommended by staff: Copeland Capital Management, LLC (core mandate finalist); EAM Investors, LLC and Granahan Investment Management (growth mandate finalists); Bernzott Capital Advisors and Segall Bryant & Hamill (value mandate finalists); and requested additional information on each firm's ability to manage risk; and

WHEREAS, on January 14, 2020, the Investment Committee considered the risk management information requested on December 2, 2019, and recommended all five finalists to the Board for consideration for hire; and

WHEREAS, on January 28, 2020, the Board approved the Investment Committee's recommendation to award a contract to EAM Investors, LLC.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes the Executive Officer to execute the necessary documents, subject to satisfactory business and legal terms and consistent with the following services and terms:

<u>Company Name:</u>	EAM Investors, LLC
<u>Service Provided:</u>	Active U.S. Small Cap Growth Equities Portfolio Management
<u>Estimated Effective Date:</u>	April 1, 2020 through March 31, 2023
<u>Duration:</u>	Three years
<u>Benchmark:</u>	Russell 2000 Growth Index
<u>Estimated Allocation:</u>	\$85 million

**CONTRACT AUTHORIZATION
GRANAHAN INVESTMENT MANAGEMENT
ACTIVE U.S. SMALL CAP GROWTH EQUITIES
PORTFOLIO MANAGEMENT**

RESOLUTION 200128-A

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal for the U.S. Small Cap Equities Mandate investment manager search pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, performed an evaluation of the 142 proposals submitted; and

WHEREAS, on July 9, 2019, the Investment Committee reviewed NEPC's evaluation report of the proposals and concurred with the staff recommendation to advance 18 firms as semi-finalists in the search; and

WHEREAS, staff and NEPC conducted further due diligence on the 18 semi-finalists; and

WHEREAS, on December 2, 2019, the Investment Committee interviewed five finalists recommended by staff: Copeland Capital Management, LLC (core mandate finalist); EAM Investors, LLC and Granahan Investment Management (growth mandate finalists); Bernzott Capital Advisors and Segall Bryant & Hamill (value mandate finalists); and requested additional information on each firm's ability to manage risk; and

WHEREAS, on January 14, 2020, the Investment Committee considered the risk management information requested on December 2, 2019, and recommended all five finalists to the Board for consideration for hire; and

WHEREAS, on January 28, 2020, the Board approved the Investment Committee's recommendation to award a contract to Granahan Investment Management.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes the Executive Officer to execute the necessary documents, subject to satisfactory business and legal terms and consistent with the following services and terms:

<u>Company Name:</u>	Granahan Investment Management
<u>Service Provided:</u>	Active U.S. Small Cap Growth Equities Portfolio Management
<u>Estimated Effective Date:</u>	April 1, 2020 through March 31, 2023
<u>Duration:</u>	Three years
<u>Benchmark:</u>	Russell 2000 Growth Index
<u>Estimated Allocation:</u>	\$80 million

**CONTRACT AUTHORIZATION
 SEGALL BRYANT & HAMILL
 ACTIVE U.S. SMALL CAP VALUE EQUITIES
 PORTFOLIO MANAGEMENT**

RESOLUTION 200128-A

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal for the U.S. Small Cap Equities Mandate investment manager search pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, performed an evaluation of the 142 proposals submitted; and

WHEREAS, on July 9, 2019, the Investment Committee reviewed NEPC's evaluation report of the proposals and concurred with the staff recommendation to advance 18 firms as semi-finalists in the search; and

WHEREAS, staff and NEPC conducted further due diligence on the 18 semi-finalists; and

WHEREAS, on December 2, 2019, the Investment Committee interviewed five finalists recommended by staff: Copeland Capital Management, LLC (core mandate finalist); EAM Investors, LLC and Granahan Investment Management (growth mandate finalists); Bernzott Capital Advisors and Segall Bryant & Hamill (value mandate finalists); and requested additional information on each firm's ability to manage risk; and

WHEREAS, on January 14, 2020, the Investment Committee considered the risk management information requested on December 2, 2019, and recommended all five finalists to the Board for consideration for hire; and

WHEREAS, on January 28, 2020, the Board approved the Investment Committee's recommendation to award a contract to Segall Bryant & Hamill.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes the Executive Officer to execute the necessary documents, subject to satisfactory business and legal terms and consistent with the following services and terms:

<u>Company Name:</u>	Segall Bryant & Hamill
<u>Service Provided:</u>	Active U.S. Small Cap Value Equities Portfolio Management
<u>Estimated Effective Date:</u>	April 1, 2020 through March 31, 2023
<u>Duration:</u>	Three years
<u>Benchmark:</u>	Russell 2000 Value Index
<u>Estimated Allocation:</u>	\$70 million

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

- C. INVESTMENT MANAGER CONTRACT WITH PGIM, INC. REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKET DEBT PORTFOLIO AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval of the Investment Committee's recommendation and the following Resolution:

**CONTRACT EXTENSION
PGIM, INC.
ACTIVE EMERGING MARKET DEBT
PORTFOLIO MANAGEMENT**

RESOLUTION 200128-B

WHEREAS, LACERS' current three-year contract with PGIM, Inc. (PGIM) for active emerging market debt portfolio management expires on February 28, 2020; and,

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

WHEREAS, a one-year contract extension will provide the necessary time to complete an ongoing investment manager search to evaluate the marketplace of active emerging market debt blended hard and local currency strategies in which PGIM is a participant; and,

WHEREAS, a contract extension with PGIM will allow the fund to maintain a diversified exposure to emerging market debt; and,

WHEREAS, on January 28, 2020, the Board approved the Investment Committee's recommendation to approve a one-year contract extension with PGIM.

NOW, THEREFORE, BE IT RESOLVED, that the Executive Officer 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>	PGIM, Inc.
<u>Service Provided:</u>	Active Emerging Market Debt Portfolio Management
<u>Effective Dates:</u>	February 29, 2020 through February 28, 2021
<u>Duration:</u>	One year
<u>Benchmark:</u>	J.P. Morgan Emerging Market Bond Index (EMBI) Global Diversified Index
<u>Allocation as of November 30, 2019:</u>	\$425 million

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

- D. INVESTMENT MANAGER CONTRACT WITH PRINCIPAL GLOBAL INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE MID CAP CORE EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval of the Investment Committee's recommendation and the following Resolution:

**CONTRACT RENEWAL
PRINCIPAL GLOBAL INVESTORS, LLC**

**ACTIVE U.S. MID CAP CORE EQUITIES
PORTFOLIO MANAGEMENT**

RESOLUTION 200128-C

WHEREAS, LACERS' current three-year contract with Principal Global Investors, LLC (Principal) for active U.S. mid cap core equities portfolio management expires on June 30, 2020; and,

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

WHEREAS, a contract renewal with Principal will allow the fund to maintain a diversified exposure to U.S. mid cap core equities; and,

WHEREAS, on January 28, 2020, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with Principal.

NOW, THEREFORE, BE IT RESOLVED, that the Executive Officer 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>	Principal Global Investors, LLC
<u>Service Provided:</u>	Active U.S. Mid Cap Core Equities Portfolio Management
<u>Effective Dates:</u>	July 1, 2020 through June 30, 2023
<u>Duration:</u>	Three years
<u>Benchmark:</u>	Russell Midcap Index
<u>Allocation as of November 30, 2019:</u>	\$209 million

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

- E. INVESTMENT MANAGER CONTRACT WITH DIMENSIONAL FUND ADVISORS LP REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS VALUE PORTFOLIO AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval of the Investment Committee's recommendation and the following Resolution:

**CONTRACT RENEWAL
DIMENSIONAL FUND ADVISORS LP
ACTIVE EMERGING MARKETS VALUE EQUITIES
PORTFOLIO MANAGEMENT**

RESOLUTION 200128-D

WHEREAS, LACERS' current three-year contract with Dimensional Fund Advisors LP (DFA) for active emerging markets value equities portfolio management expires on June 30, 2020; and,

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

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

WHEREAS, on January 28, 2020, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with DFA.

NOW, THEREFORE, BE IT RESOLVED, that the Executive Officer 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>	Dimensional Fund Advisors LP
<u>Service Provided:</u>	Active Emerging Markets Value Equities Portfolio Management
<u>Effective Dates:</u>	July 1, 2020 through June 30, 2023
<u>Duration:</u>	Three years
<u>Benchmark:</u>	MSCI Emerging Markets Value Index
<u>Allocation as of November 30, 2019:</u>	\$427 million

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

VIII

LEGAL/LITIGATION

- A. APPROVAL OF RFP FOR OUTSIDE FIDUCIARY COUNSEL AND POSSIBLE BOARD ACTION – Anya Freedman, Assistant City Attorney, answered questions from the Board. Vice President Wilkinson moved approval, seconded by Commissioner Serrano and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Vice President Wilkinson, and President Ruiz -5; Nays, None.

President Ruiz recessed the Regular Meeting at 10:50 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 INTHIRAN GNANAPRAGASAM AND POSSIBLE BOARD ACTION

President Ruiz reconvened the Regular Meeting at 10:51 a.m. and announced that the Board unanimously approved the Disability Retirement Application of Inthiran Gnanapragasam.

X

OTHER BUSINESS – Commissioner Elizabeth Lee requested status of the new LACERS HQ and the status of discussions with other City departments on assuming the lease at the current LACERS building.

XI

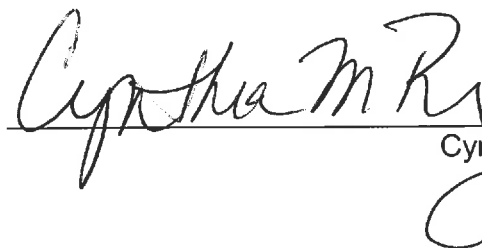
NEXT MEETING – The next Regular meeting of the Board is scheduled for Tuesday, February 11, 2020 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

XII

ADJOURNMENT – There being no further discussion before the Board, President Ruiz deferred the adjournment to Commissioner Serrano who adjourned the meeting at 10:55 a.m. in honor of Kobe Bryant.



Lita Payne
Manager-Secretary



Cynthia M. Ruiz
President