

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

LACERS Ken Spiker Boardroom
202 West First Street, Fifth Floor
Los Angeles, California

February 11, 2020

10:00 a.m.

Agenda of: Feb. 25, 2020

Item No: II

PRESENT:	President:	Cynthia M. Ruiz
	Vice President:	Michael R. Wilkinson
	Commissioners:	Annie Chao Elizabeth Lee Sandra Lee Nilza R. Serrano (Arrived 10:08 a.m.) Sung Won Sohn
	Manager-Secretary:	Lita Payne
	Executive Assistant:	Ani Ghoukassian
	Legal Counsel:	James Napier

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 28, 2020 AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval, seconded by Commissioner Elizabeth Lee, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Vice President Wilkinson, and President Ruiz - 6; Nays, None.

III

BOARD PRESIDENT VERBAL REPORT – President Ruiz attended a Los Angeles Harbor Department event in San Pedro and was asked by former LACERS Board President Jaime Lee to send her regards.

IV

GENERAL MANAGER VERBAL REPORT

A. REPORT ON DEPARTMENT OPERATIONS – Lita Payne, Executive Officer, discussed the following items:

- Percentage of Members affected by actuarial demographic change effective July 1, 2020
- Acknowledgement of LACERS staff that calculate, audit and generate benefit payments to members each year
- Notification of 115 Trust Financial Statement transmittal to Council
- Update on status of Governor Newsom’s 2020-21 state budget proposal regarding reducing prescription drug program called CalRx
- Two LACERS *Well Extravaganzas* – February 12, 2020 in Monrovia and February 26, 2020 in Lakewood

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

- February 25, 2020 – Board Meeting - Actuarial Standard of Practice 51 new Risk Assessment Report
- February 25, 2020 – Board Meeting - Open Enrollment Closeout Report

V

RECEIVE AND FILE

A. BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER – The report was received by the Board and filed.

B. MARKETING CESSATION REPORT NOTIFICATION TO THE BOARD – The report was received by the Board and filed.

Commissioner Sohn arrived at the meeting at 10:08 a.m.

VI

COMMITTEE REPORT(S)

A. BENEFITS ADMINISTRATION COMMITTEE REPORT – AGED DECEASED ACCOUNTS WITH UNRECOVERABLE OVERPAYMENTS AND POSSIBLE BOARD ACTION – Karen Freire, Chief Benefits Analyst, Lady Smith, Senior Management Analyst I, and James Kawashima, Management Analyst with Retirement Services Division presented this item to the Board and discussed the report findings for nine minutes, Vice President Wilkinson moved approval of staff’s recommendation, seconded by Commissioner Serrano and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Sohn, Vice President Wilkinson, and President Ruiz -7; Nays, None.

VII

DEPARTMENT/BOARD ADMINISTRATION

- A. SEMI-ANNUAL REPORT OF BUSINESS PLAN INITIATIVES FOR THE PERIOD ENDING DECEMBER 2019 – Chhintana Kurimoto, Management Analyst with the Administration Division presented the report to Board and Ms. Kurimoto then introduced Isaias Cantu, Senior Management Analyst II with the Administration Division for an update on LACERS move to the 977 Broadway building. The discussion lasted ten minutes and the report was received by the Board and filed.

VIII

INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value, \$19.08 Billion as of the close of markets, February 10, 2019. Mr. June discussed the following items:
- The acquisition of Almanac Realty Securities, VI, a LACERS real estate investment Manager, by Neuberger Berman
 - Conducting due diligence of Askia
 - Staff meeting with Chae Hong of the Townsend Group
 - Notice of significant organizational change at Alcentra
 - Eduardo Park, Investment Officer II recipient of the 2020 John W. Koza Leadership Fellowship
- B. FINALIST FIRMS OF THE HIGH YIELD FIXED INCOME AND HYBRID HIGH YIELD FIXED INCOME/BANK LOAN INVESTMENT MANAGER SEARCH AND POSSIBLE BOARD ACTION – Rod June, Chief Investment Officer and Robert King, Investment Officer I, presented this item to the Board and discussed the report for three minutes, Commissioner Chao moved approval of the following Resolutions:

**CONTRACT AUTHORIZATION
DDJ CAPITAL MANAGEMENT, LLC
HYBRID HIGH YIELD FIXED INCOME/U.S. FLOATING RATE BANK LOAN
PORTFOLIO MANAGEMENT**

RESOLUTION 200211-A

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal for the High Yield Fixed Income and Hybrid High Yield Fixed Income/U.S. Floating Rate Bank Loan Mandate 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 44 proposals submitted; and

WHEREAS, on August 13, 2019, the Investment Committee reviewed NEPC's evaluation report of the proposals and concurred with the staff recommendation to advance five firms as semi-finalists in the search; and

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

WHEREAS, on January 21, 2020, the Investment Committee interviewed five finalists recommended by staff: Aegon USA Investment Management, LLC; Loomis, Sayles & Company, L.P.; Morgan Stanley Investment Management; DDJ Capital Management LLC; KKR Credit; and recommended DDJ Capital Management, LLC to the Board for consideration for hire; and

WHEREAS, on February 11, 2020, the Board approved the Investment Committee's recommendation to award a contract to DDJ 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>	DDJ Capital Management, LLC
<u>Service Provided:</u>	Hybrid High Yield Fixed Income/U.S. Floating Rate Bank Loan Portfolio Management
<u>Estimated Effective Date:</u>	May 1, 2020 through April 30, 2023
<u>Duration:</u>	Three years
<u>Benchmark:</u>	50% Bloomberg Barclays US High Yield 2% Capped Index and 50% Credit Suisse Leveraged Loan Index
<u>Estimated Allocation:</u>	\$235 million

**CONTRACT AUTHORIZATION
LOOMIS, SAYLES & COMPANY, L.P.
HIGH YIELD FIXED INCOME
PORTFOLIO MANAGEMENT**

RESOLUTION 200211-A

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal for the High Yield Fixed Income and Hybrid High Yield Fixed Income/U.S. Floating Rate Bank Loan Mandate 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 44 proposals submitted; and

WHEREAS, on August 13, 2019, the Investment Committee reviewed NEPC's evaluation report of the proposals and concurred with the staff recommendation to advance five firms as semi-finalists in the search; and

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

WHEREAS, on January 21, 2020, the Investment Committee interviewed five finalists recommended by staff: Aegon USA Investment Management, LLC; Loomis, Sayles & Company, L.P.; Morgan Stanley Investment Management; DDJ Capital Management LLC; KKR Credit; and recommended Loomis, Sayles & Company, L.P. to the Board for consideration for hire; and

WHEREAS, on February 11, 2020, the Board approved the Investment Committee's recommendation to award a contract to Loomis, Sayles & Company, L.P.

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:

- Company Name: Loomis, Sayles & Company, L.P.
- Service Provided: High Yield Fixed Income Portfolio Management
- Estimated Effective Date: May 1, 2020 through April 30, 2023
- Duration: Three years
- Benchmark: Bloomberg Barclays US High Yield 2% Capped Index
- Estimated Allocation: \$235 million

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

- C. PUBLIC COMMENT LETTER TO THE SECURITIES AND EXCHANGE COMMISSION REGARDING PROXY VOTING ADVICE AND SHAREHOLDER PROPOSALS AND POSSIBLE BOARD ACTION - Rod June, Chief Investment Officer presented this item to the Board and the discussion commenced for seventeen minutes. Commissioner Chao made a motion for staff to modify language in the letter and add attachments to strengthen the LACERS message, seconded by Vice President Wilkinson and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Vice President Wilkinson, and President Ruiz -6; Nays, None; Abstain, Sohn -1.

IX

DIVISION SPOTLIGHT

- A. SERVICE PROCESSING UNIT – Edeliza Fang, Senior Management Analyst II, Lourdes Quintos, Senior Management Analyst I along with staff Fon Leidig and Kelly Dickinson of the Service Processing Unit of Administration Division, presented this division spotlight to the Board for twenty eight minutes discussing different possible retirement buyback scenarios and functions of the unit.

X

OTHER BUSINESS – There was no other business.

XI

NEXT MEETING – The next Regular meeting of the Board is scheduled for Tuesday, February 25, 2020 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

ADJOURNMENT – There being no further discussion before the Board, President Ruiz adjourned the meeting at 11:35 a.m.

Lita Payne

Lita Payne
Manager-Secretary

Cynthia M. Ruiz

Cynthia M. Ruiz
President