



Board of Administration Agenda

REGULAR MEETING

TUESDAY, FEBRUARY 11, 2020

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).

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President:	Cynthia M. Ruiz
Vice President:	Michael R. Wilkinson
Commissioners:	Annie Chao Elizabeth Lee Sandra Lee Nilza R. Serrano Sung Won Sohn
Manager-Secretary:	Lita Payne
Executive Assistant:	Ani Ghokassian
Legal Counsel:	City Attorney's Office Public Pensions General Counsel Division

Notice to Paid Representatives

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 *et seq.* More information is available at ethics.lacity.org/lobbying. For assistance, please contact the Ethics Commission at (213) 978-1960 or ethics.commission@lacity.org.

- I. PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION
- II. [APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF JANUARY 28, 2020 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

- A. [BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER](#)
 - B. [MARKETING CESSATION REPORT NOTIFICATION TO THE BOARD](#)
- VI. COMMITTEE REPORT(S)
- A. [BENEFITS ADMINISTRATION COMMITTEE REPORT – AGED DECEASED ACCOUNTS WITH UNRECOVERABLE OVERPAYMENTS AND POSSIBLE BOARD ACTION](#)
- VII. DEPARTMENT/BOARD ADMINISTRATION
- A. [SEMI-ANNUAL REPORT OF BUSINESS PLAN INITIATIVES FOR THE PERIOD ENDING DECEMBER 2019](#)
- VIII. INVESTMENTS
- A. CHIEF INVESTMENT OFFICER VERBAL REPORT
 - B. [FINALIST FIRMS OF THE HIGH YIELD FIXED INCOME AND HYBRID HIGH YIELD FIXED INCOME/BANK LOAN INVESTMENT MANAGER SEARCH AND POSSIBLE BOARD ACTION](#)
 - C. [PUBLIC COMMENT LETTER TO THE SECURITIES AND EXCHANGE COMMISSION REGARDING PROXY VOTING ADVICE AND SHAREHOLDER PROPOSALS AND POSSIBLE BOARD ACTION](#)
- IX. DIVISION SPOTLIGHT
- A. SERVICE PROCESSING UNIT
- X. 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.
- XII. 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

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.

Cynthia M. Ruiz
President

Lita Payne
Manager-Secretary

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM V-A

Pursuant to the authority delegated to the General Manager under Board Rule GMA 1, General Manager Authorization, adopted by the Board of Administration on June 14, 2016, the following benefit payments have been approved by the General Manager:

SERVICE RETIREMENTS

<u>Member Name</u>	<u>Service</u>	<u>Department</u>	<u>Classification</u>
Akers, Robin Michael	11	GSD - Fleet Services	Equipmnt Mechanic
Ardoin, Millard R	14	Dept. of Bldg. & Safety	Build Inspector
Batthey, Earl J	23	Police Dept.	Detention Officer
Berumen, Maria Teresa	29	Personnel Dept.	Pers Records Supv
Brown, Bruce Daniel	24	Dept. of Airports	Risk Manager III
Chan, Pauline Pui Lim	34	Dept. of Transportation	Sr Transp Engineer
Chavez, Luis A	16	Dept. of Airports	Custodian Airport
Christian, Troy	12	Dept. of Bldg. & Safety	Build Inspector
Favela, Hector G	18	Dept. of Rec. & Parks	Carpenter
Gallegos, Ron P	30	GSD - Printing Revolving	Printing Svcs Supt
Garcia Ortega, Maria	19	Police Dept.	Police Service Rep
Garibay, Bertha	8	Dept. of Rec. & Parks 2	Special Prog Asst
Gutierrez, Martin V	29	Dept. of Rec. & Parks	Irrigation Specialist
Jimenez, Victoriano	16	GSD - Fleet Services	Tire Repairer
Kawala, Susan J	4	City Attorney's Office	Deputy City Attorney
Kendrick, Aerick	19	PW - Sanitation	Ref Coll Truck Oper
Kim, Lydia Hyoil	30	Dept. of Airports	Accounting Clerk
Lench, Daniel M	16	City Attorney's Office	Paralegal
Licea, Merced	14	Dept. of Airports	Custodian Airport
Lloyd, Josephine	7	Dept. of Transportation	Crossing Guard
Maldonado, Pedro R	18	PW - Sanitation	Ref Coll Truck Oper
Manukyan, Gayk Hayk	20	Dept. of Bldg. & Safety	Sr Build Mech Inspectr
Mays, James William	22	Dept. of Transportation	Traf Officer
Mc Kibbin, Brian M	30	Information Technology Agency	Sr Systems Analyst
Mehrkhodavandi, Houshang	33	Dept. of Transportation	Management Analyst
Morgan, Reece A	20	Dept. of Rec. & Parks	Park Maint Supvr
Oliva, Teresa	19	Dept. of Airports	Airport Guide
Orozco, Linda R	20	Library Dept.	Administrative Clerk
Palmer, Calvin	16	Dept. of Airports	Custodian Airport
Patzakis, Theresa Ann	22	City Attorney's Office	Sr Asst City Atty
Peters, Margaret	31	Police Dept.	Sr Police Serv Rep
Poursabahian, Siavosh	30	Dept. of Bldg. & Safety	Sr Structural Engineer
Ramos, Denice E	19	Dept. of Airports	Custodian

Reed, Stephen Emmett	18	Dept. of Bldg. & Safety	Sr Build Inspector
Rosas, Jeffery	31	GSD - Public Bldgs.	Build Con & Mt Supt
Sargsyan, Ara	19	Dept. of Bldg. & Safety	Asst Dep Sup Of Bldg
Shakour, Yahya Z	12	Police Dept.	Security Officer
Torrence, Dewayne	36	PW - Sanitation	Ref Coll Truck Oper
Villa Agustin, Victoria P	34	PW - St. Maint.	Ch Management Analyst
Wilson, Adria L	11	Dept. of Rec. & Parks	Recreation Coordinator
Worthy, John S	19	ITA	Television Engineer

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM V-D

Pursuant to the authority delegated to the General Manager under Board Rule GMA 1, General Manager Authorization, adopted by the Board of Administration on June 14, 2016, the following benefit payments have been approved by the General Manager:

Approved Death Benefit Payments

Deceased

Beneficiary/Payee

TIER 1

Abundis, Robert	Robert Martin Abundis for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Angus, Expectacion A	Grace A Angus for the payment of the Accrued But Unpaid Continuation Allowance Jessica Abijay Angus for the payment of the Accrued But Unpaid Continuation Allowance Joselito Antonio Angus for the payment of the Accrued But Unpaid Continuation Allowance
Bennett, June M	Carol June Oldroyd for the payment of the Accrued But Unpaid Continuation Allowance
Carpenter, Barry Arnold	Margaret M Carpenter for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Chang, Elliot M	Lillian K Chang for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Chuatoco, Rosalina Cueto	Francis Joseph Cue Chuatoco for the payment of the Burial Allowance
	Francis Yap Chuatoco for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
	James Ross Chuatoco for the payment of the Burial Allowance
Colby, Patricia A	Juan Puga Suarez for the payment of the Accrued But Unpaid Vested Retirement Allowance Burial Allowance
Davis, Joseph	Ellen Latoya Davis for the payment of the Burial Allowance
Emery, Lloyd E	Dale Wayne Emery for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
	Douglas A Emery for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
	Kathleen A Leavitt for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
	Kathleen A Leavitt for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Fields, Edna	Grant Sean Fields for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Holmes, John S Carmela E. Bond for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Jackson, Elizabeth Judith E Griffie for the payment of the
Accrued But Unpaid Service Retirement Allowance

Keyner, Andrew A Patricia Pamela Belt for the payment of the
Accrued But Unpaid Vested Retirement Allowance
Burial Allowance
Unused Contributions

Raymond Robert Keyner for the payment of the
Accrued But Unpaid Vested Retirement Allowance
Unused Contributions

Kobayashi, Taketo Karen Hideko Kobayashi for the payment of the
Accrued But Unpaid Service Retirement Allowance

Katherine Tomoko Azurin for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Le Sage, Margaret E Jon Thomas Le Sage for the payment of the
Accrued But Unpaid Continuance Allowance

Lee, Marie Y Yu-Cho Lee for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Lieboff, Richard Alan	David A Gubser for the payment of the Accrued But Unpaid Continuance Allowance Accrued But Unpaid Service Retirement Allowance Burial Allowance
Mackey, Betty J	Albert L Mackey for the payment of the DRO Lump Sum
Manker, Helen J	Carol Denise Little for the payment of the Accrued But Unpaid Continuance Allowance
Mauricio, Fruto G	Loida Mauricio-Calapatia for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Montgomery, Pauline	Donna Watkins Wilson for the payment of the Accrued But Unpaid Continuance Allowance
Mosley, Gladys J	Teresa Gail Carr for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Newkirk, Melanee E	Roger Daniel Newkirk for the payment of the Accrued But Unpaid Larger Annuity Allowance Accrued But Unpaid Service Retirement Allowance Burial Allowance Unused Contributions

Pogroszewski, Maureen G	David Bruce Pogroszewski for the payment of the Accrued But Unpaid Continuance Allowance
Purcell, Denis D.	Brendan T Purcell for the payment of the DRO Lump Sum
Robinson, Delbert L	Ida Mae Robinson for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Rodriguez, Francisca L	Alicia Luna for the payment of the Accrued But Unpaid Continuance Allowance
Romaniuk, Zina S	Konstantin Ken Romanick Tserachtopoulos for the payment of the Accrued But Unpaid Continuance Allowance
Safara, Benjamin Nathaniel (Deceased Active)	George William Safara for the payment of the Accumulated Contributions
Savage, Robert F	Ronald M. Nelson for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Sibley, Marsha Lynn	La Ronda L. Ford for the payment of the Accrued But Unpaid Service Retirement Allowance Unused Contributions

Sumpter, Edgar A	Bessie W Sumpter for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Tesfai, Fessehaie	Genet F Tesfai for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Toguchi, Grace S.	Thomas Hiroshi Shiroma for the payment of the Accrued But Unpaid Continuanace Allowance
Trinidad, Evangeline	Romulo V Trinidad for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Wagner, Caroline M	Leslie A Van Deusen for the payment of the Accrued But Unpaid Service Retirement Allowance
Walker, Gene L	Zelma Renee Stiles for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Wright, Jean L	Joyce M Robison for the payment of the Accrued But Unpaid Continuanace Allowance Ronald B Wright for the payment of the Accrued But Unpaid Continuanace Allowance



Agenda of: FEBRUARY 11, 2020

Item No: V-B

MARKETING CESSATION REPORT NOTIFICATION TO THE BOARD

The Board's Marketing Cessation Policy was adopted in order to prevent and avoid the appearance of undue influence on the Board or any of its Members in the award of investment-related and other service contracts. Pursuant to this Policy, this notification procedure has been developed to ensure that Board Members and staff are regularly apprised of firms for which there shall be no direct marketing discussions about the contract or the process to award it; or for contracts in consideration of renewal, no discussions regarding the renewal of the existing contract.

Firms listed in Attachments 1 and 2 are subject to limited communications with Board Members and staff pursuant to the Policy and will appear and remain on the list, along with the status, from the first publicized intention to contract for services through the award of the contract. Lists of current LACERS' contracts are on file in the Board office and are available upon request.

Attachments: 1) Contracts Under Consideration for Renewal
2) Active RFPs and RFQs

CONTRACTS UNDER CONSIDERATION FOR RENEWAL

NO.	VENDOR / CONSULTANT	DESCRIPTION	INCEPTION DATE	EXPIRATION DATE	MARKETING CESSATION STATUS	RESTRICTED PERIOD*	
						START	END
INVESTMENTS							
1	Prudential Investment Management, Inc.	Active Emerging Market Debt	3/1/2014	2/28/2020	Board approved contract extension on 1/28/20; negotiations in process	1/10/2020	5/25/2020
2	Principal Global Investors, LLC	Active U.S. Mid Cap Core Equities	7/1/2014	6/30/2020	Board approved contract renewal on 1/28/20; negotiations in process	1/10/2020	9/30/2020
3	Dimensional Fund Advisors, LP	Active Non-U.S. Equities Emerging Markets Value	7/1/2014	6/30/2020	Board approved contract renewal on 1/28/20; negotiations in process	1/10/2020	9/30/2020
4	Dimensional Fund Advisors, LP	Active U.S. Treasury Inflation Protected Securities ("TIPS")	7/1/2014	6/30/2020	Investment Committee considered contract renewal on 1/14/20. Requested further information from staff before taking action.	1/10/2020	9/30/2020
5	AEGON USA Investment Management, LLC	Active U.S. High Yield Fixed Income	4/1/2016	3/31/2020	Investment Committee to consider contract extension on 2/11/20.	2/7/2020	6/30/2020

CONTRACTS UNDER CONSIDERATION FOR RENEWAL

NO.	VENDOR / CONSULTANT	DESCRIPTION	INCEPTION DATE	EXPIRATION DATE	MARKETING CESSATION STATUS	RESTRICTED PERIOD*	
						START	END
HEALTH BENEFITS ADMINISTRATION							
6	Kaiser 2020	Medical HMO	1/1/2020	12/31/2020	Board approved on 8/28/2018; Contract under review for execution.	1/1/2020	12/31/2020
7	SCAN 2020	Medical HMO	1/1/2020	12/31/2020	Board approved on 8/28/2018; Contract under review for execution.	1/1/2020	12/31/2020
8	United Healthcare 2020	Medical HMO	1/1/2020	12/31/2020	Board approved on 8/28/2018; Contract under review for execution.	1/1/2020	12/31/2020
9	Delta Dental 2020	Dental PPO and HMO	1/1/2020	12/31/2020	Board approved on 8/28/2018; Contract under review for execution.	1/1/2020	12/31/2020
10	Anthem Blue View Vision 2020	Vision Services Contract	1/1/2020	12/31/2020	Board approved on 8/28/2018; Contract under review for execution.	1/1/2020	12/31/2020
11	Anthem 2020	Medical HMO & PPO	1/1/2020	12/31/2020	Board approved on 8/28/2018; Contract under review for execution.	1/1/2020	12/31/2020

CONTRACTS UNDER CONSIDERATION FOR RENEWAL

NO.	VENDOR / CONSULTANT	DESCRIPTION	INCEPTION DATE	EXPIRATION DATE	MARKETING CESSATION STATUS	RESTRICTED PERIOD*	
						START	END
RETIREMENT SERVICES DIVISION							
12	Mitchell International dba MCN	Disability Medical Evaluation Services	Pending	Pending	Board approved on 8/13/2019; Contract under review for execution.	5/1/2019	2/28/2020
CITY ATTORNEY							
13	Foley & Lardner LLP	Legal Services - Health & Data Privacy Law	Pending	Pending	Board approved on 8/27/2019; Contract under review for execution.	5/27/2019	2/27/2020
14	Polsinelli LLP	Legal Services - Health & Data Privacy Law	Pending	Pending	Board approved on 8/27/2019; Contract under review for execution.	5/27/2019	2/27/2020
15	Orrick, Herrington & Sutcliffe LLP	Legal Services - Health & Data Privacy Law	Pending	Pending	Board approved on 8/27/2019; Contract under review for execution.	5/27/2019	2/27/2020
16	Hogan Marren Babbo & Rose, Ltd	Legal Services - Health & Data Privacy Law	Pending	Pending	Board approved on 8/27/2019; Contract under review for execution.	5/27/2019	2/27/2020

Start Date - The estimated start date of the restricted period is three (3) months prior to the expiration date of the current contract. No entertainment or gifts of any kind should be accepted from the restricted source as of this date. Firms intending to participate in the Request for Proposal process are also subject to restricted marketing and communications.

End Date - The estimated end date of the restricted period is three (3) months following the expiration date of the current contract. For investment-related contracts, the estimated end date is normally six (6) months following the expiration of the current contract. For health carrier contracts, the estimated end date is normally one (1) year following the expiration of the current contract. Estimated dates are based on contract negotiation periods from prior years.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM ATTACHMENT 2
CONTRACTS LIST FOR THE FEBRUARY 11, 2020 BOARD MEETING**

ACTIVE RFPs AND RFQs*

NO.	DESCRIPTION	MARKETING CESSATION STATUS AND VENDOR RESPONSES
INVESTMENTS		
1	Private Credit Mandate Search	RFP Release Date: December 10, 2018
		Submission Deadline: January 18, 2019
		Status: On July 23, 2019, Board awarded contracts to Alcentra Limited; Benefit Street Partners L.L.C.; Crescent Capital Group LP; and Monroe Capital LLC. Negotiations in process.
		List of Respondents: Alcentra Limited, Barings LLC, MB Global Partners, LLC, Backcast Partners Management LLC, BlackRock, Inc., CLSA Capital Partners (HK) Limited, Cross Ocean Adviser LLP, Clearwater Capital Partners (Fiera Capital Corporation), Guggenheim Partners, LLC, Goldman Sachs Asset Management, L.P., Pemberton Capital Advisors LLP, Kayne Anderson Capital Advisors, L.P., Maranon Capital, L.P., Bain Capital Credit, LP, Breakwater Management LP, Carlyle Global Credit Investment Management L.L.C., Crescent Capital Group LP, MV Credit Partners LLP, New Mountain Capital, LLC, Park Square Capital USA LLC, Tor Investment Management (Hong Kong) Limited, AlbaCore Capital LLP, Muzinich & Co., Inc., Kartesia Management S.A., Medalist Partners, LP, NXT Capital Investment Advisers, LLC, Owl Rock Capital Partners, PennantPark Investment Advisers, PIMCO Investments LLC, Deerpath Capital Management, LP, Brightwood Capital Advisors, Magnetar Capital LLC, MC Credit Partners LP, Oaktree Capital Management, L.P., THL Credit Advisors LLC, White Oak Global Advisors, LLC, Benefit Street Partners L.L.C., EntrustPermal / Blue Ocean GP LLC, Willow Tree Credit Partners LP, Monroe Capital LLC, Runway Growth Capital LLC, Stellus Capital Management, LLC

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM **ATTACHMENT 2**
 CONTRACTS LIST FOR THE FEBRUARY 11, 2020 BOARD MEETING

ACTIVE RFPs AND RFQs*

NO.	DESCRIPTION	MARKETING CESSATION STATUS AND VENDOR RESPONSES
2	U.S. Small Cap Equities Mandate Search	RFP Release Date: February 25, 2019
		Submission Deadline: April 12, 2019
		Status: On January 28, 2019, the Board awarded contracts to the following five firms: Core: Copeland Capital Management, LLC Growth: EAM Investors, LLC; Granahan Investment Management Value: Bernzott Capital Advisors; Segall Bryant & Hamill. Negotiations in process.
		List of Respondents: 361 Capital, LLC, Aberdeen Standard Investments Inc., Acuitas Investments, LLC, Alliance Bernstein AB, Allianz Global Investors AllianzGI, AltraVue Capital, LLC, American Century Investment Management, Inc., AMI Asset Management Corporation, Anchor Capital Advisors LLC, Ariel Investments, LLC, Aristotle Capital Boston, LLC, Axiom Investors, Baron Capital, Barrow, Hanley, Mewhinney, Strauss, LLC, Bernzott Capital Advisors, Bivium Capital Partners, LLC, BlackRock, Inc., BMO Global Asset Management, BNP Paribas Asset Management USA Inc., Boston Advisors, LLC, Boston Partners Global Investors, Inc., Bridge City Capital, LLC, Cadence Capital Management LLC, Capital Impact Advisors, LLC, Capital Prospects LLC, Ceredex Value Advisors LLC, ClearBridge Investments, LLC, Copeland Capital Management, LLC, Dimensional Fund Advisors LP, Driehaus Capital Management LLC, Eagle Asset Management, EAM Investors, LLC, EARNEST Partners, LLC, Eastern Shore Capital Management, a Division of Moody Aldrich Partners, LLC, Eaton Vance Management, Elk Creek Partners LLC, Falcon Point Capital, LLC, Federated MDTA, LLC, FIAM LLC, Fisher Investments, Franklin Advisers, Inc., Frontier Capital Management Company, LLC, Goldman Sachs Asset Management, Granahan Investment Management, Granite Investment Partners, LLC, Great Lakes Advisors, LLC, GW&K Investment Management, LLC, Hotchkis and Wiley Capital Management, LLC, Investment Counselors of Maryland, LLC, Jacobs Levy Equity Management, Inc., Jennison Associates, JP Morgan, Kayne Anderson Rudnick Investment Management, LLC, Legato Capital Management, LLC, Legion Partners Asset Management, LLC, Lisanti Capital Growth, LLC, LMCg Investments, Loomis, Sayles & Company, L.P., Los Angeles Capital Management and Equity Research, Inc., Macquarie Investment Management, Manulife Asset Management, Matarin Capital Management, Mellon Investments Corporation, MFS Institutional Advisors, Inc., Monarch Partners Asset Management, LLC, Morgan Stanley Investment Management, Neuberger Berman, NewSouth Capital Management, Inc., Next Century Growth Investors, LLC, Northern Trust Investments, Inc., OFI Global Institutions, Inc., Pacific Ridge Capital Partners, LLC, Pacific View Asset Management, LLC, Palisade Capital Management, LLC, PanAgora Asset Management, Inc., Peregrine Capital Management, LLC, Perkins Investment Management LLC, Pier Capital, LLC, PIMCO, Portolan Capital Management LLC, Principal Global, Pzena Investment Management, QMA LLC, Ranger Investment Management, LP, Riverbridge Partners, LLC, RockCreek, Rothschild & Co Asset Management, Sapien Investments, LLC, Schroder Investment Management North America Inc., Segall Bryant & Hamill, Seizert Capital Partners, Smith Asset Management Group, Snyder Capital Management, L.P., Summit Creek Advisors, LLC, Systematic Financial Management, L.P., T. Rowe Price Associates, Inc., Teton Advisors, Inc., THB Asset Management, Tygh Capital Management, Vantagepoint Discovery, Victory Capital Management Inc., Voya Investment Management, Walkthausen & Co., LLC, Wasatch Advisors, Weatherbie Capital, LLC, Wedge Capital Management, Wellington Management Company LLP, Wells Fargo Asset Management, Westfield Capital Management Company, L.P., William Blair Investment Management, LLC, WisdomTree Asset Management, Inc., Zacks Investment Management

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM ATTACHMENT 2
CONTRACTS LIST FOR THE FEBRUARY 11, 2020 BOARD MEETING**

ACTIVE RFPs AND RFQs*

NO.	DESCRIPTION	MARKETING CESSATION STATUS AND VENDOR RESPONSES
3	High Yield Fixed Income and Hybrid High Yield Fixed Income / U.S. Floating Rate Bank Loan Mandate Search	RFP Release Date: February 25, 2019
		Submission Deadline: April 12, 2019
		Status: On January 21, 2020, the Investment Committee interviewed the following finalist firms: High Yield Fixed Income - Aegon USA Investment Management, LLC, Loomis, Sayles & Company, L.P., and Morgan Stanley Investment Management; Hybrid Fixed Income/Bank Loans - DDJ Capital Management, LLC, and KKR Credit
		List of Respondents: Ares Management LLC, Arena Capital Advisors, LLC, Guggenheim Partners Investment Management, LLC, Aegon Asset Management US, MacKay Shields LLC, Post Advisory Group, LLC, Diamond Hill Capital Management, Inc., AXA Investment Managers, Pacific Asset Management, Mesirow Financial Investment Management, Inc., DDJ Capital Management, LLC, Par-Four Investment Management, LLC, PGIM Fixed Income, Beach Point Capital Management LP, KKR Credit, Barrings LLC, Eaton Vance Management, Brigade Capital Management, LP, Morgan Stanley Investment Management, Lord, Abbett & Co. LLC, BlackRock, Inc., L & S Advisors, Inc., Mellon Investments Corporation, Seix Investment Advisors LLC, Legal & General Investment Management, Principal Global, Bain Capital Credit, LP, Princeton Asset Management, LLC, Symphony Asset Management, LLC, PIMCO, The Capital Group Companies, Inc., Loomis, Sayles & Company, L.P., Credit Suisse Asset Management, LLC, J.P. Morgan Asset Management, Hotchkis and Wiley Capital Management, LLC, Northern Trust, CVC Credit Partners, LLC
4	Emerging Market Small Cap Equities Mandate Search	RFP Release Date: June 10, 2019
		Submission Deadline: July 22, 2019
		Status: On January 14, 2020, the Investment Committee advanced four firms as semi-finalists: Copper Rock Capital Partners, LLC; Macquarie Investment Management; RBC Global Management, Inc; Wasatch Advisors, Inc.
		List of Respondents: LMCG Investments, LLC, AQR Capital Management, LLC, Dimensional Fund Advisors LP, EAM Investors, LLC, Ashmore, Cedar Street Asset Management LLC, Copper Rock Capital Partners, LLC, FIAM LLC, Macquarie Investment Management, RBC Global Management, Inc., Capital, River and Mercantile LLC, Schroder Investment Management North America Inc., Somerset Capital Management LLP, Wasatch Advisors, Inc., Kayne Anderson Rudnick Investment Management, Franklin Templeton Investments, Globeflex Capital, LP, Quantitative Management Associates, LLC, State Street Global Advisors Distributor, LLC

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM ATTACHMENT 2
CONTRACTS LIST FOR THE FEBRUARY 11, 2020 BOARD MEETING**

ACTIVE RFPs AND RFQs*

NO.	DESCRIPTION	MARKETING CESSATION STATUS AND VENDOR RESPONSES
5	Emerging Market Debt Mandate Search	<p>RFP Release Date: June 10, 2019</p> <p>Submission Deadline: July 22, 2019</p> <p>Status: In progress</p> <p>List of Respondents: Eaton Vance Management, Ashmore Investment Management, Capital Group, Fidelity Institutional Asset Management, GAM USA, INC., Northwest Passage Capital Advisors LLC, Payden & Rygel, PGIM Fixed Income, Schroder Investment Management North America Inc., Stone Harbor Investment Partners LP, LM Capital Group, Wellington Management Company LLP, Manulife Investment Management, Global Evolution USA LLC, GoldenTree Asset Management LP, Goldman Sachs Asset Management L.P., Investec Asset Management, Nuveen, A TIAA Company</p>
6	Core Fixed Income RFP	<p>RFP Release Date: August 19, 2019</p> <p>Submission Deadline: October 4, 2019</p> <p>Status: In progress</p> <p>List of Respondents: Amundi Pioneer Institutional Asset Management, Inc., Baird Advisors, BlackRock, Inc., BMO Global Asset Management, Brown Brothers Harriman & Co., C.S. McKee, L. P., Calvert Research and Management (Calvert or CRM), Conning, Dimensional Fund Advisors LP, Dodge & Cox, EARNEST Partners, LLC, FIAM LLC, Galliard Capital Management, Garcia Hamilton & Associates, L.P., Goldman Sachs Asset Management L.P., Guggenheim Partners Investment Management, LLC, Income Research & Management, Intergrity Fixed Income, Management, LLC, Invesco Advisers, Inc., J.P. Morgan Asset Management, Jennison Associates LLC, Lazard Asset Management LLC, LM Capital Group, LLC, Longfellow Investment Management Co., LLC, Loomis, Sayles & Company, L.P, Manulife Investment Management, MFS Institutional Advisors, Inc., Morgan Stanley Investment Management, National Investment Services, Neuberger Berman, Nuveen, LLC, Payden & Rygel, PGIM Fixed Income, Piedmont Investment Advisors, Inc., PIMCO, Princeton Asset Management, LLC, Progress Investment Management Company, LLC, Pugh Capital Management, Inc., Quadratic Capital Management LLC, Ramirez Asset Management, Schroder Investment Management North America Inc., Securian Asset Management, Inc., Segall Bryant & Hamill, Sit Investment Associates, Inc. (Sit), SLC Management, Smith Graham & Co., Investment Advisors, L.P., Sterling Capital Management LLC, T. Rowe Price Associates, Inc., TCW Group, Inc., The Capital Group Companies, Inc., Voya Investment Management (Voya IM), Wellington Management Company LLP, Wells Fargo Asset Management, Western Asset Management Company, LLC</p>
7	Asset Management Real Estate Services RFQ	<p>RFQ Release Date: October 8, 2019</p> <p>Submission Deadline: October 22, 2019</p> <p>Status: On October 31, 2019, Board awarded contract to Invesco Real Estate. Negotiations in process.</p> <p>List of Respondents: CIM Group, LLC; Invesco Real Estate; Jamestown LP</p>

***RESTRICTED PERIOD FOR REQUEST FOR PROPOSAL OR REQUEST FOR QUALIFICATIONS:**

Start Date - The restricted period commences on the day the Request for Proposal is released.

End Date - The restricted period ends on the day the contract is executed.



REPORT TO BOARD OF ADMINISTRATION

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

MEETING: FEBRUARY 11, 2020
ITEM: VI – A

SUBJECT: AGED DECEASED ACCOUNTS WITH UNRECOVERABLE OVERPAYMENTS AND POSSIBLE BOARD ACTION

ACTION: **CLOSED:** **CONSENT:** **RECEIVE & FILE:**

Recommendation

1. That the Board find that the overpayment cases identified in Attachment 1, totaling \$366,454.88, are unrecoverable; and,
2. That the Board delegate administrative authority to the General Manager to review and determine future unrecoverable amounts up to \$20,000.

Executive Summary

An overpayment is created when a LACERS benefit recipient receives one or more benefit payments following their death. Once LACERS receives notification of a death, benefit payments are terminated and staff attempts to recover funds issued after the member's death. If recovery attempts are unsuccessful, the overpayment amount is determined to be unrecoverable.

Discussion

At the Benefits Administration Committee meeting held January 28, 2020, staff presented the attached report on overpayments and the overpayment recovery process. The report includes the list of 19 current overpayment cases totaling \$366,454.88, which staff has determined to be unrecoverable. After reviewing and discussing the report, the Committee recommended forwarding the report to the Board for approval.

Strategic Plan Impact Statement

Uncollectible overpayments are actuarially adjusted and the funds routinely recouped from the Plan Sponsor. The determining of unrecoverable overpayments and the delegation of authority to the

General Manager to make the determination up to \$20,000, supports LACERS Strategic Plan Goal of increasing organizational effectiveness, efficiency, and resiliency.

Prepared By: James Kawashima, Management Analyst, and Ferralyn Sneed, Senior Management Analyst II, Retirement Services Division.

LP:KF:FS:jk

Attachments: 1. Proposed Resolution
2. January 28, 2020 Benefits Administration Committee Report

PROPOSED RESOLUTION

WHEREAS, monthly retirement and continuance payments are paid to benefit recipients until such time as the Los Angeles City Employees' Retirement System is notified of the benefit recipient's death;

WHEREAS, the General Manager presented information regarding overpayments and the procedures followed in efforts to recovery overpayment amounts; and

WHEREAS, LACERS staff has recommended delegating to the General Manager the authority to determine the uncollectible status of an overpayment up to the amount of \$20,000;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the recommendation that:

1. The following amounts be deemed unrecoverable because the debts have been determined uncollectible, and;

	Last Name	First Name	Middle Initial	Payee Net Balance	Death Date	Death Reported Date	Reporting Delay (mons)	Time lapse from Reporting date until today
1	BLACK	ROSE	L	\$ 12,581.61	1/23/2016	2/7/2017	12.7	33.7
2	BROWN (DP)	ROBERT		\$ 8,540.14	12/27/2015	2/3/2016	1.3	46.1
3	CASTO	LEWIS	T	\$ 17,488.48	8/8/2014	12/3/2015	16.1	48.1
4	CHESLEY	ELIZABETH	S	\$ 19,809.72	1/28/2013	12/9/2015	34.8	47.9
5	CHU	ALLEN		\$ 9,613.48	2/13/2019	3/14/2019	1.0	8.2
6	DURAND	EVELINE		\$ 5,900.21	2/1/2017	8/22/2017	6.7	27.2
7	FRANCE	MARTIN	DEWEY	\$ 96,439.65	11/20/2012	8/16/2016	45.5	39.6
8	HANNAH	JUDITH	A	\$ 20,918.27	2/25/2015	12/7/2016	21.7	35.8
9	MAYO	GUSTAVO	P	\$ 17,751.65	11/22/2016	10/10/2017	10.7	25.6
10	MCNICHOLS	STEVE	E	\$ 45,277.92	5/19/2013	4/27/2015	23.6	55.5
11	MCQUOWN	MARY	W	\$ 15,689.34	4/25/2014	8/21/2015	16.1	51.6
12	PRESCOD	ROBERTA		\$ 11,181.48	7/27/2017	8/10/2018	12.6	15.4
13	PRICE	CORNELIUS	W	\$ 17,605.46	7/21/2016	10/12/2017	14.9	25.5
14	PRIDE	WALLACE	M	\$ 5,370.03	2/24/2016	3/17/2016	0.7	44.6
15	QUARLES	JENORA		\$ 12,479.98	6/10/2017	7/30/2018	13.8	15.8
16	ROBINSON	RUTH		\$ 9,903.46	7/12/2013	10/10/2013	3.0	74.3
17	SANCHEZ	JOYCE	A	\$ 5,832.02	7/8/2018	8/7/2018	1.0	15.5
18	SHAVER	JOHNNIE		\$ 11,569.01	10/16/2016	7/21/2017	9.3	28.3
19	WALDORF	ELDA	G	\$ 22,502.97	3/26/2015	4/20/2016	13.0	43.5
			Total	\$ 366,454.88				

2. That the following procedure in regards to uncollectible overpayments be established:
 - i. An administrative authority threshold be established and the General Manager be granted authority to review and determine future unrecoverable amounts up to \$20,000;
 - ii. Overpayment collection cases over the \$20,000 threshold will be brought before the Board of Administration for determination.



REPORT TO BENEFITS ADMINISTRATION COMMITTEE
From: Lita Payne, Executive Officer

MEETING: JANUARY 28, 2020
ITEM: V

SUBJECT: AGED DECEASED ACCOUNTS WITH UNRECOVERABLE OVERPAYMENTS AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

1. That the Committee recommend the Board find that the overpayment cases identified in Attachment 1, totaling \$366,454.88, are unrecoverable; and,
2. That the Committee recommend the Board delegate administrative authority to the General Manager to review and determine future unrecoverable amounts up to \$20,000.

Discussion

An overpayment occurs when a Member passes away and LACERS is unable to recover funds issued after the Member's death.

Overpayments Due to Death

LACERS benefits are distributed either in the form of a lump sum or a monthly benefit payment. Monthly benefits are paid to retirees, continuance recipients, and other employee-designated beneficiaries. Monthly payments are generally paid to a benefit recipient until LACERS is notified of the recipient's death. In most cases, the notification of death is made in a timely manner by relatives or friends of the decedent, or by a death audit service.

However, there are situations when LACERS is not notified and as a result, payments to the benefit recipient continue for months after the recipient's death, creating an overpayment. Once LACERS is notified, the Fiscal Management Division will attempt to reverse any direct deposits or place a stop payment on any outstanding checks.

In the case of direct deposit, if the funds are withdrawn prior to reversal efforts, it is extremely difficult to collect the overpayment because in most cases the individual(s) with access to the decedent's account is not known. Conversely, it is somewhat easier to identify the person who cashes the check of a decedent because the bank requires identification or disclosure of the person conducting the transaction. Regardless of the method of payment, staff will attempt to recover any overpayment. Should recovery attempts prove unsuccessful, staff will report the overpayment amounts to the Board for determination.

Recovery Process for Overpayments Due to Death

It is rare for a death to go unreported for more than 60 days. However, in the event a death does go unreported for an extended period of time, LACERS first attempts to reverse the direct deposit or place a stop payment on the check(s). Additionally, staff will attempt to ascertain the identity of any individual(s) who possibly had access to the benefit recipient's bank account. Generally, this process entails sending three letters to those with access to the Member's account. Further, if the individual is a named beneficiary, LACERS will offset against any contribution-based benefit payable. If an offset is not possible due to the amount of the overpayment and the debtor elects to repay the overpayment through an installment plan, a promissory note is issued and the recipient is given a limited time to repay the funds. However, if the person responsible for taking the funds cannot be determined, staff's only recourse is to categorize the overpayment as an unrecoverable account.

Overpayment Due to Fraud

If staff suspects an overpayment is the result of fraud, a case file is prepared and the appropriate law enforcement authorities are notified.

Overpayment Reduction Efforts

Although the number of uncollectible overpayments is relatively negligible in comparison to the overall benefit expenditures, LACERS strives to reduce the number of overpayments and the financial impact to the Plan Sponsor, who is required to replace the uncollectible funds. Some of the procedural enhancements that have been implemented in recent years include adding a second death audit vendor for broader death record access and placing accounts on "temporary hold" when staff suspects a Member is deceased.

In addition to the aforementioned, every two to three years, LACERS conducts an Alive and Well audit. The audit serves to protect LACERS Members and the Plan by verifying the status of all Members receiving a monthly benefit who are over a designated age. This audit has proven an effective tool in identifying Members who are deceased, but whose names have not appeared on death audit reports. The audit also affords LACERS the opportunity to serve Members better by obtaining copies of conservatorships and power-of-attorney documents.

General Manager Authority

In the past, LACERS has sought to write off unrecoverable overpayments with approval from the Board. On June 14, 2016, the Board delegated to the General Manager the responsibility to develop and modify LACERS operating policies and procedures, including guidelines to facilitate the administration of retirement and retirement-related benefits, and management of Members, former Members, and non-Member accounts as provided in the Los Angeles Administrative Code. This limited delegation of authority does not include the delegation to the General Manager the authority to make any decision that the law requires the Board to make based upon findings of fact. This aforementioned delegation of authority has allowed the General Manager to make the determination that overpayment accounts stated in this report are all unrecoverable. However, to ensure transparency, staff has brought forth this report to inform the Board of staff's collection effort for overpayments above \$5,000. LACERS staff recommends an administrative threshold be established and the General Manager be granted authority

to review and determine future unrecoverable amounts up to \$20,000. This threshold amount is commensurate with the General Manager's current contract authority. Staff will report to the Board recovery efforts on overpayments in excess of \$20,000.

Overpayment Cases

Currently, there are 19 overpayment cases totaling \$366,454.88. Unrecoverable overpayment amounts are actuarially adjusted and recouped from the Plan Sponsor.

Generally, the actual number of uncollectible overpayments is very low. For this reporting period, uncollectible overpayments account for less than 0.06% of the average annual benefit payouts (\$806M/7yrs).

Fiscal Year*	No. of Cases	Total Overpayment Amount	Total Retirement Benefits Paid (from LACERS' CAFR)	Percentage
2012-13	3	\$164,220.54	\$718,411,000	0.022859%
2013-14	2	\$40,727.99	\$737,376,000	0.005523%
2014-15	3	\$52,845.59	\$760,803,000	0.006946%
2015-16	3	\$40,750.93	\$790,559,000	0.005155%
2016-17	5	\$50,807.57	\$825,043,000	0.006158%
2017-18	1	\$5,900.21	\$873,837,000	0.000675%
2018-19	2	\$11,202.05	\$938,644,000	0.001193%
Totals	19	\$366,454.88	\$5,644,673,000	0.006439% (Total overpayment percent to paid retirement benefits)

*The chart reflects overlapping fiscal years with the prior report (2014) due to data conversion technicalities.

For comparison, the following is a summary of the prior three Board-approved unrecoverable funds reports for overpayments due to death:

Coverage Period	Board Approval Date	No. of Cases	Unrecoverable Amount
1999-00	July 22, 2003	37	\$118,699.18
2000-01	August 10, 2004	10	\$15,052.31
2001-14	March 11, 2014	59	\$113,688.48

This report was prepared by James Kawashima, Management Analyst, Lady Smith, Senior Management Analyst, and Ferralyn Sneed, Senior Management Analyst II, Retirement Services Division.

LP/KF:FS:lys:jk

ATTACHMENT 1

The following amounts, which are \$5,000 and above, have been determined to be uncollectible.

	Last Name	First Name	Middle Initial	Payee Net Balance	Death Date	Death Reported Date	Reporting Delay (mons)	Time lapse from Reporting date until today
1	BLACK	ROSE	L	\$ 12,581.61	1/23/2016	2/7/2017	12.7	33.7
2	BROWN (DP)	ROBERT		\$ 8,540.14	12/27/2015	2/3/2016	1.3	46.1
3	CASTO	LEWIS	T	\$ 17,488.48	8/8/2014	12/3/2015	16.1	48.1
4	CHESLEY	ELIZABETH	S	\$ 19,809.72	1/28/2013	12/9/2015	34.8	47.9
5	CHU	ALLEN		\$ 9,613.48	2/13/2019	3/14/2019	1.0	8.2
6	DURAND	EVELINE		\$ 5,900.21	2/1/2017	8/22/2017	6.7	27.2
7	FRANCE	MARTIN	DEWEY	\$ 96,439.65	11/20/2012	8/16/2016	45.5	39.6
8	HANNAH	JUDITH	A	\$ 20,918.27	2/25/2015	12/7/2016	21.7	35.8
9	MAYO	GUSTAVO	P	\$ 17,751.65	11/22/2016	10/10/2017	10.7	25.6
10	MCNICHOLS	STEVE	E	\$ 45,277.92	5/19/2013	4/27/2015	23.6	55.5
11	MCQUOWN	MARY	W	\$ 15,689.34	4/25/2014	8/21/2015	16.1	51.6
12	PRESCOD	ROBERTA		\$ 11,181.48	7/27/2017	8/10/2018	12.6	15.4
13	PRICE	CORNELIUS	W	\$ 17,605.46	7/21/2016	10/12/2017	14.9	25.5
14	PRIDE	WALLACE	M	\$ 5,370.03	2/24/2016	3/17/2016	0.7	44.6
15	QUARLES	JENORA		\$ 12,479.98	6/10/2017	7/30/2018	13.8	15.8
16	ROBINSON	RUTH		\$ 9,903.46	7/12/2013	10/10/2013	3.0	74.3
17	SANCHEZ	JOYCE	A	\$ 5,832.02	7/8/2018	8/7/2018	1.0	15.5
18	SHAVER	JOHNNIE		\$ 11,569.01	10/16/2016	7/21/2017	9.3	28.3
19	WALDORF	ELDA	G	\$ 22,502.97	3/26/2015	4/20/2016	13.0	43.5
			Total	\$ 366,454.88				



REPORT TO BOARD OF ADMINISTRATION

MEETING: FEBRUARY 11, 2020

From: Lita Payne, Executive Officer *Lita Payne*

ITEM: VII-A

SUBJECT: SEMI-ANNUAL REPORT OF BUSINESS PLAN INITIATIVES FOR THE PERIOD ENDING DECEMBER 2019

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this report.

Executive Summary

LACERS' strategic plan goals are achieved through a series of initiatives, with the highest priority initiatives categorized as "business plan initiatives" or "BPIs." This semi-annual report of BPIs aims to keep the Board apprised of the progress of these priorities.

Discussion

In September 2019, the Executive team established seven BPIs to drive the strategic goals of the Department in Fiscal Year (FY) 2019-20. In October 2019, LACERS purchased a new headquarters building and to successfully track and monitor progress on requirements related to ownership and tenancy, the headquarters project was added as a new BPI for FY 2019-20. Additionally, Web-Based Counseling has been merged into the Multi-Channel Outreach Initiative. Finally, the Government Service Buyback (GSB) Calculator Initiative has merged into Phase II of the Website Redesign Initiative along with the implementation of other online calculators for retirement and health benefits.

The updated FY 2019-20 BPIs are:

- Asset Allocation Initiative
- Web Redesign Initiative
- Emergency Preparedness & Business Continuity Plan Initiative
- Multi-Channel Outreach Expansion Initiative
- Recruitment and Retention Initiative
- Headquarters Move Initiative

The attached report provides the status of initiatives through December 2019 in a concise dashboard format. This report is similar to the dashboards reviewed by the BPI Team on a bi-monthly basis. The BPI Team fosters progress on these initiatives by discussing challenges and impediments, actively

engaging in questioning, introducing alternative perspectives, identifying solutions, and seeking opportunities to collaborate across divisions.

As of this reporting, all initiatives are deemed “on-track” to meet their deliverables, though several identify staffing as a risk. All BPI’s will continue to be monitored and acted upon by management to successful conclusion.

The next BPI report to the Board will be in July 2020, and will cover progress through the end of the fiscal year as well as propose the next slate of BPIs for FY 2020-21.

Strategic Plan Impact Statement

The BPI Program seeks to enhance the Strategic Plan Goal 6, Organization, supporting greater organizational effectiveness, efficiency, and resiliency.

Prepared By: Chhintana Kurimoto, Management Analyst

LP/TB/DW/CK

Attachment: Business Plan Initiatives Fiscal Year 2019-20 for the reporting period ending December 2019



LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Reporting Period Ending December 2019

A dark blue background with a white network of interconnected nodes and lines, resembling a molecular or data network structure.

BUSINESS PLAN INITIATIVES

FISCAL YEAR 2019-2020

Prepared for

LACERS BOARD OF ADMINISTRATION

FEBRUARY 11, 2020

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02	EXECUTIVE SUMMARY DASHBOARD
03	BUSINESS PLAN INITIATIVE DASHBOARDS
03	Asset Allocation
08	Web Redesign
10	Emergency Preparedness & BCP
11	Multi-Channel Outreach Expansion
12	Recruitment and Retention
13	Headquarters Move
14	APPENDIX A – BUSINESS PLAN INITIATIVE TEMPLATE

LACERS GOALS

1

CUSTOMER SERVICE

To provide outstanding customer service.

2

BENEFITS DELIVERY

To deliver accurate and timely Member benefits.

3

HEALTH AND WELLNESS

To improve the value and minimize costs of Members' health and wellness benefits.

4

INVESTMENT

To optimize long-term risk adjusted returns through superior investments.

5

GOVERNANCE

To uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

6

ORGANIZATION

To increase organizational effectiveness, efficiency, and resiliency.

7

WORKFORCE

To recruit, retain, mentor, empower, and promote a high-performing workforce.

EXECUTIVE SUMMARY DASHBOARD

COMPLETED
ON TRACK
OFF TARGET
NEEDS INTERVENTION

INITIATIVES, GOALS & EXECUTIVE SPONSORS	DECEMBER STATUS	INITIATIVE LEADS
<p>1 ASSET ALLOCATION ACHIEVE INVESTMENT PERFORMANCE/RISK OBJECTIVES Executive Sponsor: Rod June</p>		Lead: Bryan Fujita
<p>2 WEB REDESIGN OUTSTANDING CUSTOMER SERVICE Executive Sponsor: Lita Payne</p>		Lead: Taneda Larios & Thomas Ma
<p>3 EMERGENCY PREPAREDNESS & BCP ORGANIZATION EFFICIENCY Executive Sponsor: Todd Bouey</p>		Lead: Isaias Cantú, John Koontz & Dan Goto
<p>4 MULTI-CHANNEL OUTREACH EXPANSION OUTSTANDING CUSTOMER SERVICE/ TIMELY & ACCURATE BENEFITS Executive Sponsor: Lita Payne</p>		Lead: Gabriel Perez & Nathan Herkelrath Tenah Johnson-Taylor & Delia Hernandez
<p>5 RECRUITMENT & RETENTION HIGH PERFORMING WORKFORCE Executive Sponsor: Neil Guglielmo</p>		Lead: Lin Lin
<p>6 HEADQUARTERS MOVE ORGANIZATION EFFICIENCY Executive Sponsor: Todd Bouey</p>		Lead: Isaias Cantú & Thomas Ma

INITIATIVE: **Asset Allocation**
 DIVISION(S)/SECTIONS: **Investment Division**
 STRATEGIC GOAL(S): **Investment**

STATUS: **On Track**
 REPORT MONTH: **December 2019**
 LEAD(S): **Bryan Fujita**

INITIATIVE SUMMARY

The Investment Division implements the Asset Allocation Policy approved by the Board. The Board seeks to achieve its return target of 7.25% over long periods of time by assuming prudent levels of risk as prescribed in the Risk Budget. The key priorities are:

- Conduct appropriate investment manager searches
 - Issue RFPs and manage the selection process pursuant to Investment Policy
 - Negotiate contract terms and conditions
 - Fund managers and rebalance the portfolio
 - Monitor investment managers pursuant to Investment Policy
 - Report search and manager status to the Investment Committee and Board
- Evaluate and monitor active versus passive exposure

BUDGET

Appropriation:	\$62,200
Expense:	(\$14,767)
Unspent:	\$47,433

KEY DEPENDENCIES/ASSUMPTIONS

- Board and Investment Committee priorities
- Sufficiency of staffing and consultant resources
- Qualified investment managers respond to RFPs
- Selection process pursuant to Manager Search and Selection Policy remains substantially unchanged

MILESTONES / DELIVERABLES

Q2/FY19

- ✓ Board authorization of RFPs – Oct
- ✓ Launch Private Credit RFP – Dec
- ✓ Active versus Passive Board Education – Dec

Q3/FY19

- ✓ Launch U.S. Small Cap Equities RFP – Feb
- ✓ Launch High Yield/Bank Loans RFP – Feb

Q4/FY19

- ✓ Launch Emerging Market Small Cap RFP – Jun
- ✓ Launch Emerging Market Debt RFP – Jun
- ✓ Initiate transition of Active Large Cap Value Equities to Passive Large Cap Equities – Jun

Q1/FY20

- ✓ Complete Private Credit RFP – Jul
- ✓ Complete transition of Active Large Cap Value Equities to Passive Large Cap Equities - Jul
- ✓ Launch Core Fixed Income RFP – Aug

Q2/FY20

- Complete U.S. Small Cap Equities RFP – Defer to Jan

Q3/FY20

- Execute Private Credit Contracts – Jan
- Complete U.S. Small Cap Equities RFP – Jan
- Fund Private Credit – Feb
- Complete High Yield/Bank Loans RFP – Feb
- Complete Emerging Market Small Cap RFP – Mar

Q4/FY20

- Execute U.S. Small Cap Equities Contracts – Apr
- Complete Emerging Market Debt RFP – Apr
- Fund U.S. Small Cap Equities – May
- Execute High Yield/Bank Loans Contracts – May
- Complete Core Fixed Income RFP – May
- Fund High Yield/Bank Loans – Jun
- Execute Emerging Market Small Cap Contracts – Jun

Q1/FY21

- Fund Emerging Market Small Cap Equities – Jul
- Execute Emerging Market Debt Contracts – Jul
- Execute Core Fixed Income Contracts – Aug
- Fund Emerging Market Debt – Aug
- Fund Core Fixed Income – Sep

KEY INDICATORS

Refer to attached exhibits:

- Exhibit A – Investment Manager Search Schedule
- Exhibit B - Asset Class Exposure Actual versus Target
- Exhibit C - Asset Class Exposure Trend Past 12 Months
- Exhibit D - Active vs. Passive Trend Past 12 Months

ISSUES / CHALLENGES

- Numerous RFP responses and limited Investment and consultant staff have led to extended evaluation periods of candidates.

SEP

OCT

NOV

DEC

JAN

FEB

MAR

APR

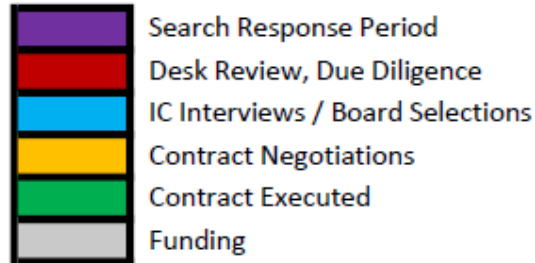
MAY

JUN

BUSINESS PLAN INITIATIVE FY 2019-20 - DASHBOARD

EXHIBIT A

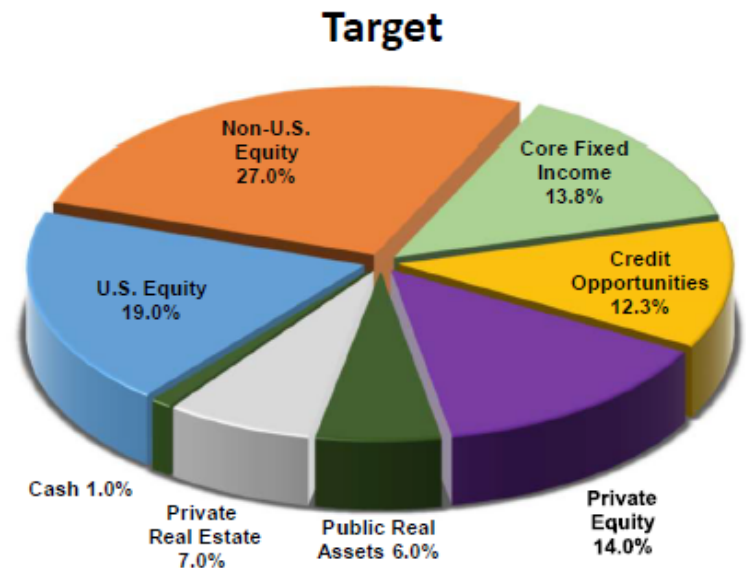
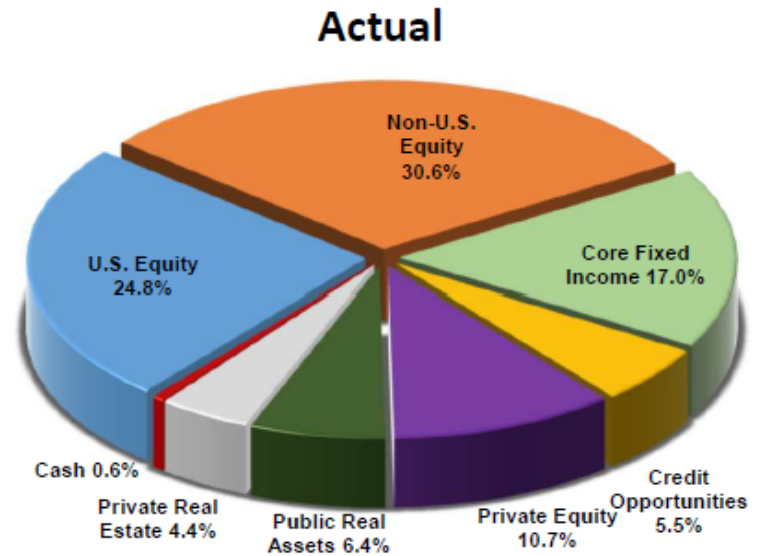
Investment Manager Search Schedule
LACERS
December 31, 2019



Search	Q3 FY 19-20			Q4 FY 19-20			Q1 FY 20-21		
	2020 JAN	2020 FEB	2020 MAR	2020 APR	2020 MAY	2020 JUN	2020 JUL	2020 AUG	2020 SEP
Private Credit									
U.S. Small Cap Equities									
High Yield/Bank Loans									
Emerging Markets Small Cap Equities									
Emerging Market Debt									
Core Fixed Income									

LACERS Investment Portfolio

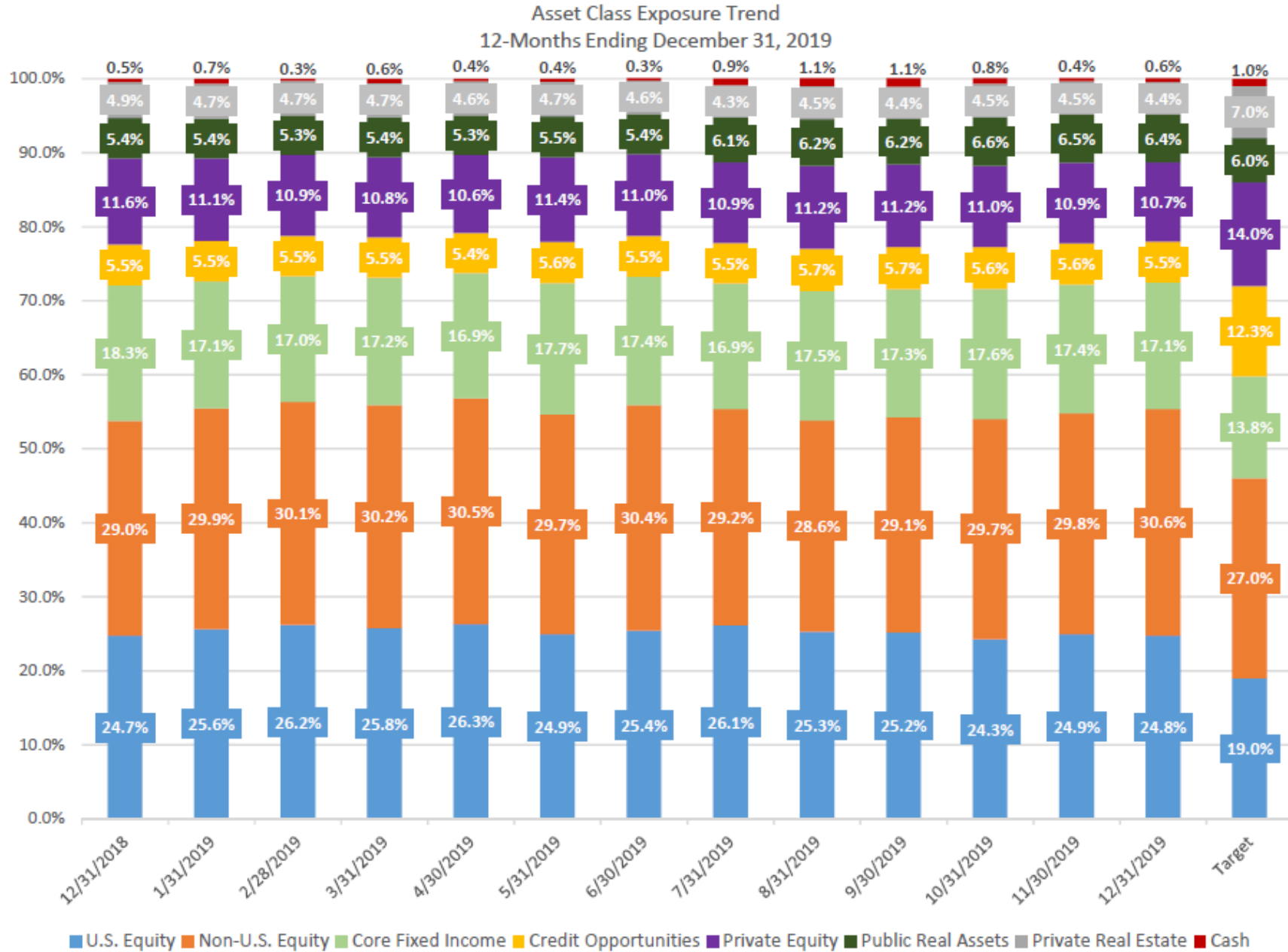
ASSET CLASS BY MARKET VALUE & ALLOCATION						
Asset Class	as of ► December 31, 2019					
	Actual (\$ B)	Actual (%)	Target (%)	Actual-Target*	Min (%)	Max (%)
U.S. Equity	4.67	24.8%	19.0%	5.8%	12.0%	26.0%
Non-U.S. Equity	5.77	30.6%	27.0%	3.6%	18.0%	36.0%
Core Fixed Income	3.21	17.0%	13.8%	3.3%	10.8%	16.8%
Credit Opportunities	1.04	5.5%	12.3%	-6.7%	8.3%	16.3%
Private Equity	2.02	10.7%	14.0%	-3.3%	N/A	N/A
Public Real Assets	1.21	6.4%	6.0%	0.4%	4.0%	8.0%
Private Real Estate	0.83	4.4%	7.0%	-2.6%	N/A	N/A
Cash	0.11	0.6%	1.0%	-0.4%	0.0%	2.0%
TOTAL FUND	18.87	100.0%	100.0%	0.0%	N/A	N/A



*Current asset allocation targets approved in April 2018. Transition to new targets in progress.

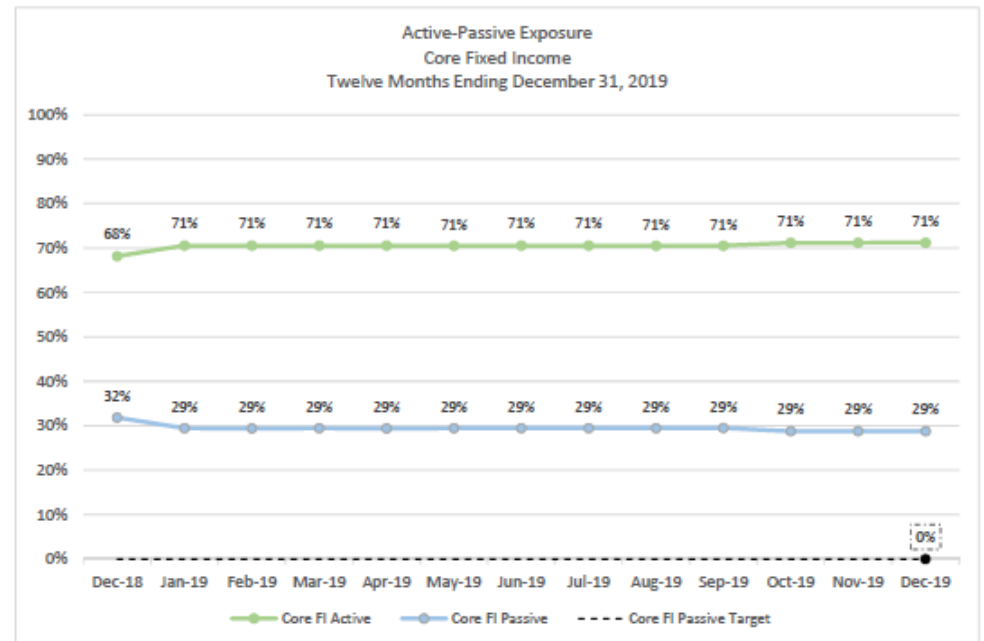
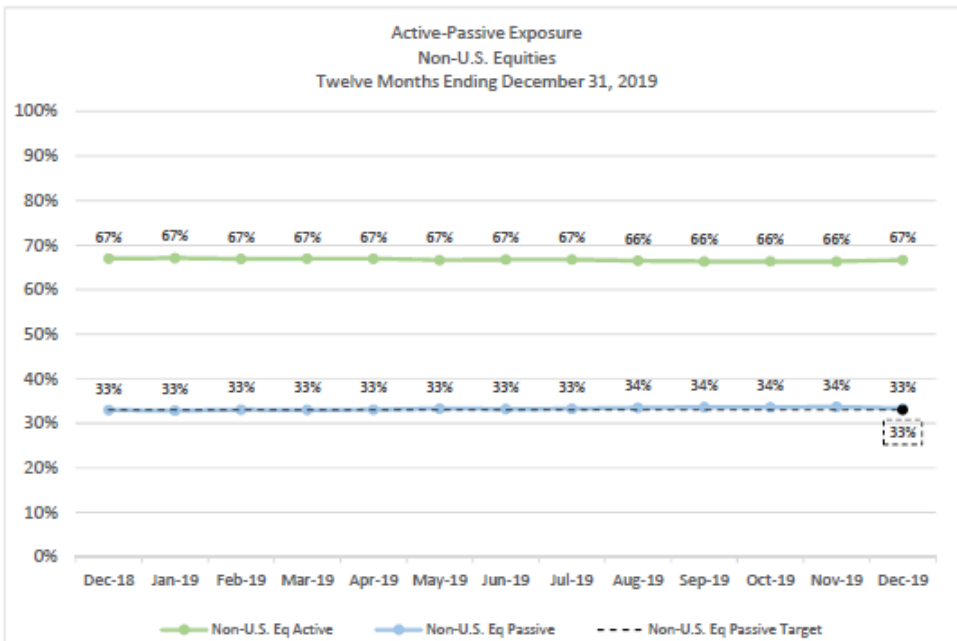
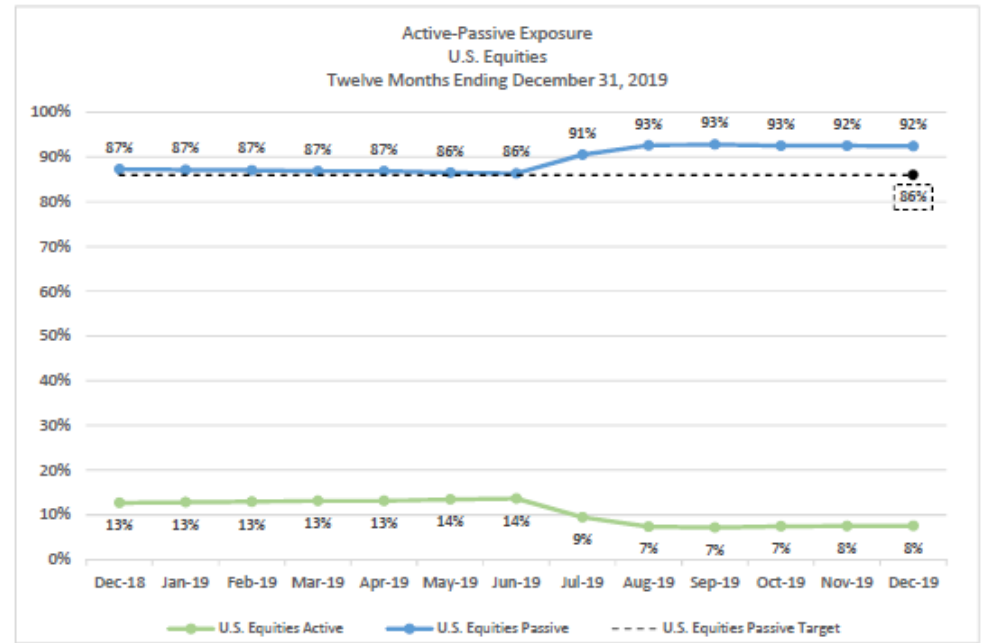
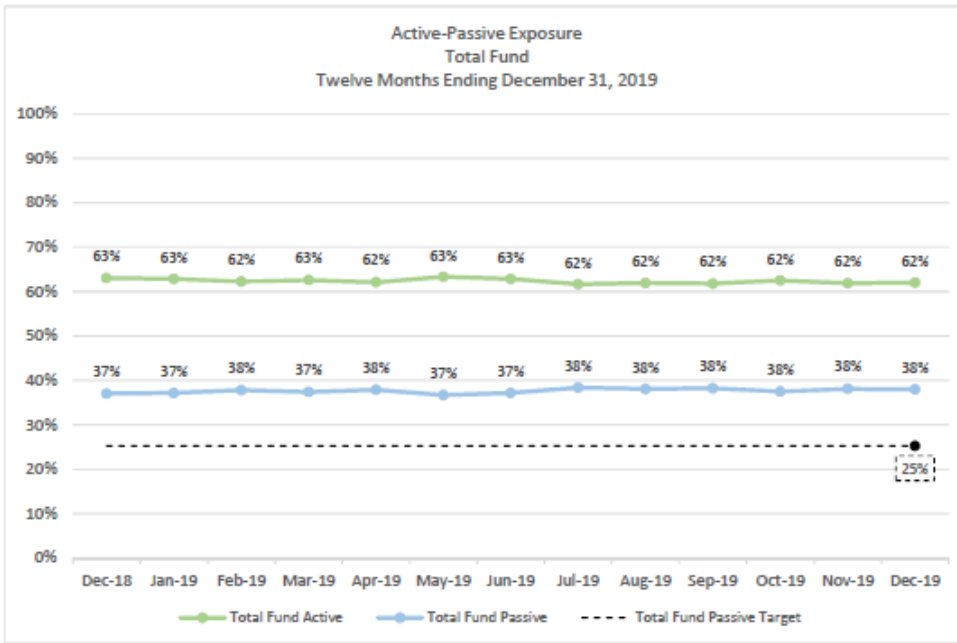
BUSINESS PLAN INITIATIVE FY 2019-20 - DASHBOARD

EXHIBIT C



BUSINESS PLAN INITIATIVE FY 2019-20 - DASHBOARD

EXHIBIT D



INITIATIVE: **LACERS Web Redesign**
 DIVISION(S)/SECTIONS: **Member Engagement/Systems**
 STRATEGIC GOAL(S): **Customer Service**

STATUS: **On Track**
 REPORT MONTH: **December 2019**
 LEAD(S): **Taneda Larios/Thomas Ma**

INITIATIVE SUMMARY

Systems and Member Engagement are co-leads on technical and business requirements/development of a new LACERS internet site focused on the following key priorities:

- A New Website with Prevailing Design
- Functionality and Usability
- Scalability (Desktop/Mobile)
- Ease of Use/Approachability
- Integration of Social Media Platforms
- Content Management System
- Supportability

BUDGET

Appropriation:	\$221,000
Expense:	(\$95,250)
Unspent:	\$125,750

KEY DEPENDENCIES/ASSUMPTIONS

- Fund availability
- Staffing resources
- Leverage existing agreement

MILESTONES / DELIVERABLES

Q1/FY20

- ✓ Design Prototype – Jul 18
- ✓ Board Presentation – Jul 23
- ✓ Design Selection – Aug 8
- ✓ Mobile & Interior Page Development – Aug 15
- ✓ Content Planning – Aug 22
- ✓ Sitemap & Information Architecture – Aug 30

Q2/FY20

- ✓ Video Sharing Interface – Sep 1
- ✓ Marketing Platform Interface – Oct 3
- ✓ Content Review & Prioritization – Nov 25
- ✓ Content Migration & Data Conversion – Dec 31

Q3/FY20

- Train Internal Staff on New Site
- Sandbox Site
- Soft Launch
- User and Member Testing
- Surveys & Fine Tuning
- Penetration Testing
- Go Live of New Internet Site

Q4/FY21

- Online Calculators (Benefit, Health, & Government Service Buyback)

ISSUES / CHALLENGES

- Internal operational requirements compete for personnel resources
- Adequate testing and readiness
- Extensive process of contents curation
- Expeditious response to quality review and updates

KEY INDICATORS

- **Refer to attached Exhibit A**
- Web Analytics (Comparison of Legacy)
 - Total Visitors
 - Most Access Pages
 - Unique Users
- Operational Efficiencies
 - Service Center Reports
 - User Administration & Maintenance
- Member Satisfaction & Ratings
 - Accessibility
 - Ease of Use
- Compliance
 - 508 & ADA
 - Penetration Testing & Security

EXECUTIVE ACTION ITEMS

- Website review and approval of launch
- Content administration roles & responsibilities

SEP

OCT

NOV

DEC

JAN

FEB

MAR

APR

MAY

JUN

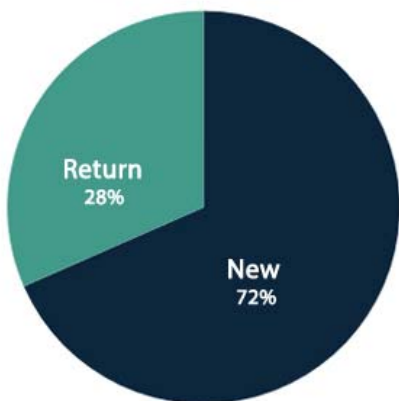
BUSINESS PLAN INITIATIVE FY 2019-20

Exhibit A

December 2019 Website Metrics

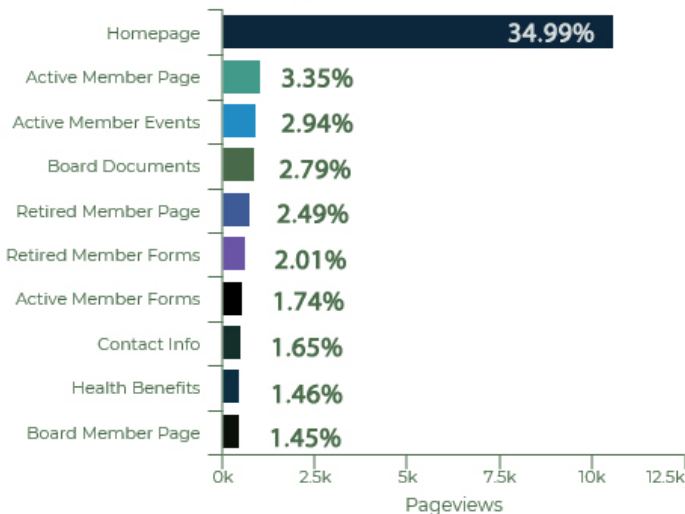
WEBSITE USERS

Total Visitors: 8,302



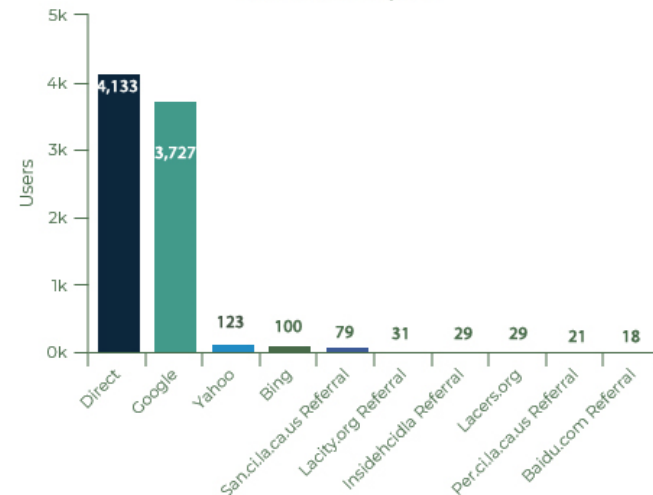
TOP ACCESS PAGES

Total Pageviews: 30,257



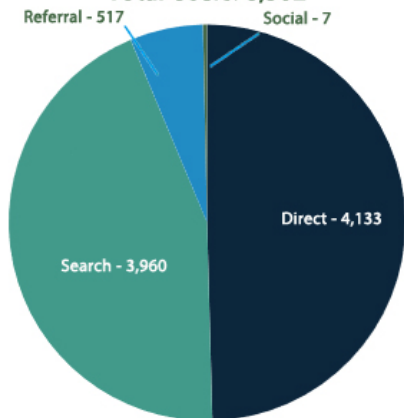
TRAFFIC SOURCE

Total Users: 8,302



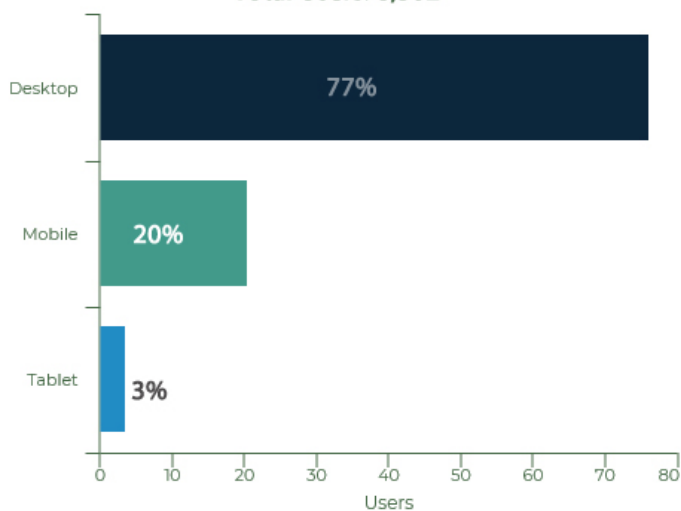
CHANNELS

Total Users: 8,302



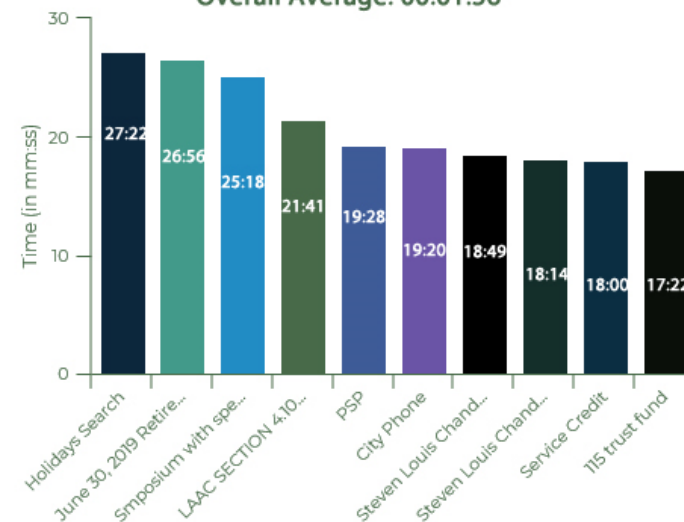
DEVICES

Total Users: 8,302



AVERAGE TIME ON PAGE

Overall Average: 00:01:56



INITIATIVE SUMMARY

Encompassing both Life Safety and Business Continuity concerns, this initiative drives LACERS' investment in emergency planning and disaster recovery, and staff's ongoing training and exercises of those plans.

BUDGET

Appropriation:	\$67,500
Expense:	(\$2,894)
Unspent:	\$64,606

KEY DEPENDENCIES/ASSUMPTIONS

- Identification of sufficient ASO staff hours in light of the demands associated with the HQ buildout and relocation project
- Staff being released to attend training

MILESTONES / DELIVERABLES

Q1/FY20

- ✓ CERT Training/ERT Team – July
- ✓ MOU with SFERS – July
- ✓ Fire Evacuation Drill – Aug
- ✓ MOU with LAFPP – Aug
- ✓ BCP Earthquake Tabletop Exercise – Sep
- ✓ Monthly MIR3 Updates – Sept
- ✓ Monthly New Employee BCP Orientation/Evacuation Walkthrough
- ✓ Annual Updates of Key Contacts for Emergency Preparedness Roles – Sep
- ✓ Annual Meeting with Northern Trust - Sep
- ✓ Monthly MIR3 Updates – Sep
- ✓ Monthly Emergency Management Team Meeting – Sep
- ✓ Quarterly Emergency Preparedness Tips – Sept

Q2/FY20

- ✓ Annual Earthquake Drill – Oct
- ✓ Register Key Staff in GETS – Oct
- ✓ Register Key Staff in WPS – Oct
- ✓ Monthly Evacuation Route Tour/BCP Orientation – Dec
- ✓ Monthly MIR3 Updates – Dec
- ✓ Monthly Emergency Management Team Meetings – Oct, Nov, Dec

Q3/FY20

- ✓ Annual Submittal of Emergency Preparedness Plan to EMD – Jan (on schedule)
- MOU with General Services – Jan (in process)
- ✓ MOU with LADOT – Jan
- MOU with LAPD – Jan (in process)
- MOU with LASan – Jan (in process)
- LACERS Emergency Preparedness Quick Guide – Feb
- Annual Update of the Data Upload to Agility – Feb
- Monthly Evacuation Route Tour/BCP Orientation – Mar
- Monthly MIR3 Updates – Mar
- Quarterly Emergency Preparedness Tips – Mar
- Purchase Alternate Communication Equipment (Two Way Radios w/ Repeaters) – Mar
- Bi-Annual Two-Way Radio Training – Mar
- Annual Two-Way Radio Test – Mar
- Walkie Talkie Training – (rescheduled from Oct)

Q4/FY20

- Annual MIR3 Callout Test – May
- Annual CPR/AED Training – Jun
- Update of the Mission Essential Functions – Jun
- Emergency Management Team Training – Jun
- Board Member Emergency Management Orientation – Jun

- Monthly Evacuation Route Tour/BCP Orientation – Jun
- Monthly MIR3 Updates – Jun
- Quarterly Emergency Preparedness Tips – Jun
- Annual Update of Emergency Preparedness Data Kit for EMT Members – Jun
- Annual Update of Emergency Preparedness Data Kit for Posting to LACERSMART – Jun
- Annual Replacement of Expired Emergency Kit Supply Items – Jul

KEY INDICATORS

Emergency Preparedness and BCP Progress

- **Attendance of 2 hours of Emergency Preparedness (EP) Training by 90% of LACERS staff**
Status: Pending Compilation of Results
- **Response to annual MIR3 notification test by 86% of LACERS staff**
Status: Scheduled for May 2020
- **Evacuation of all LACERS employees from Suite 500 within 4 minutes**
Status: Staff cleared floor in 4:09
- **Quarterly Issuance of EP Tips**
Status: ASO has issued EP Tips for Q1 and Q2

ISSUES / CHALLENGES

With the addition of the responsibilities for transitioning to the new headquarters, staff time that can be dedicated to this BPI has become limited.

INITIATIVE: **Multi-Channel Outreach Expansion**
 DIVISION(S)/SECTIONS: **Member Engagement, Member Service Center, Retirement Services and Health Divisions**
 STRATEGIC GOAL(S): **Customer Service and Benefits Delivery**

STATUS: **On Track**
 REPORT MONTH: **December 2019**
 LEAD(S): **Gabriel Perez/Nathan Herkelrath
 Tenah Johnson-Taylor/Delia Hernandez**

INITIATIVE SUMMARY

Expand the channels that LACERS utilizes to educate and counsel Members about their retirement and benefits by:

- Multi-Channel Outreach (MCO)
Leads: Perez/Herkelrath
 - Webinars
 - Podcasts
 - Videos
- Web Based Counseling (WBC)
Leads: Johnson-Taylor/Hernandez
 - Additional Path of Communication in real life
 - Option for Members with Mobility Challenges
 - Available to Members in Remote Locations

BUDGET

Appropriation:	TBD
Expense:	TBD
Unspent:	TBD

KEY DEPENDENCIES/ASSUMPTIONS

- MCO: Staff & time resources to lead this effort
- MCO: Divisions meet timelines
- MCO: Access to Director of Innovation
- WBC: Staff & time resources to lead this effort
- WBC: Members' use of Service
- WBC: Software Procurement

MILESTONES / DELIVERABLES

Q1/FY20

- ✓ WBC: Assemble Team - September

Q2/FY20

- ✓ MCO: Kickoff Meeting with Team Members
- ✓ MCO: Team Member Survey
- ✓ MCO: Review Potential Channels and Costs
- ✓ WBC: Core Team Meetings
- ✓ WBC: Subject Matter Expert Team Meeting – Initial
- ✓ WBC: Test Various Web Based Meeting Software
- ✓ WBC: Subject Matter Expert Team Meeting – Follow-up
- ✓ WBC: Select Software Vendor

Q3/FY20

- MCO: Selection of Channels to Utilize
- WBC: Core Team Meetings
- WBC: Acquiring Web Based Meeting Software
- WBC: Develop Business Processes and Survey Mechanism
- WBC: Training Staff

Q4/FY20

- MCO: Prioritization of Content
- MCO: Prioritization of Channel to Utilize
- WBC: Core Team Meetings
- WBC: Soft Launch Campaign
- WBC: Soft Launch
- WBC: Go Live Campaign
- WBC: Go Live

Q1/FY21

- MCO: 1st Creation of Content Posted
- MCO : Post Mortem Review with Team Members

KEY INDICATORS

Multi-Channel Outreach:

- Media produced for each unit within LACERS
- Engagement tracking and goals
- Ongoing surveys and improvement
- Reduction in time and cost to produce

Web Based Counseling:

- Response to Surveys
- Counseling Sessions by Unit
- Appointments Scheduled
- Number of Participants
- Length of the Sessions

ISSUES / CHALLENGES

- MCO : Need FY21 Budget Items Approved (\$7K)
- WBC: Budget and Equipment Overlap with Multi-Channel Outreach BPI
- WBC: Encountered technical challenges with testing due to quality of equipment
- WBC: Need funding of \$1,000
- WBC: Funding not directly allocated for this initiative but available in the HBACD budget

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INITIATIVE SUMMARY

Recruit, Retain, Mentor, Empower, and Promote a High Performing Workforce by:

- Career Path (CP)
- Recruitment Web Page (RW)
- LACERS Training Vision (TV)
- Compensation Study (CS)

BUDGET

Appropriation:	\$50,000
Expense:	
Unspent:	\$50,000

KEY DEPENDENCIES/ASSUMPTIONS

- Staff & time resources to lead this effort
- Divisions meet timelines

MILESTONES / DELIVERABLES

Q1/FY20

- ✓ CP: Work with Personnel Department

Q2/FY20

- ✓ CP: Benefits Specialist Bulletin change – Oct 2019
 - Added college units and work experience
 - Changed to continuous exam, 6 month interval on trial basis
- ✓ CP: Benefits Analyst & Senior Benefits Analyst
 - Pending CAO salary correction
- ✓ TV: New NEO Kick off meeting – Nov

Q3/FY20

- CP: Benefits Specialist exam
 - Advisory essay Jan 2020
 - Interview Feb 2020
- TV: Feedback re: New NEO – Jan
- TV: Review and update Tuition Reimbursement
- RW: Target web content – Feb
- CS: Develop Proposal

Q4/FY20

- CP: Benefits Specialist assessment – Apr
- TV: Assess changes to NEO - Apr
- RW: Launch web content – May
- CS: Release proposal for bid- Apr

ISSUES / CHALLENGES

- City approval processes

KEY INDICATORS

- New Employee Orientation (NEO)

	PRIOR NEO		NEW NEO		
	Q1 Day 1	Q1 Day 2	Q2	Q3	Q4
Scheduled	10	10	8		
Attended	8	7	8		
%	80%	70%	100%		

- New NEO Evaluations:
December 19, 2019 to January 9, 2020 meeting feedback results received excellent ratings.

EXECUTIVE ACTION ITEMS

Request additional staffing to support enhanced training program.

INITIATIVE: **Headquarters Move – Phase 1**
 DIVISION(S)/SECTIONS: **ASO/Systems**
 STRATEGIC GOAL(S): **Tracking Move-Related Progress**

STATUS: **On Track**
 REPORT MONTH: **December 2019**
 LEAD(S): **Isaias Cantú/Thomas Ma**

INITIATIVE SUMMARY

The Headquarters (HQ) Move Initiative (HMI) tracks the transition of LACERS from its current headquarters to its new location and will focus on the following key priorities:

- Develop Progress Tracking Mechanism Roadmap (PTMR) involving Task Prioritization, Phase & Task Deadline identification
- PTMR as reference for Staff, Consultants, and Vendors
- Facilitate & clarify context related to the Board for HQ Move Quarterly Board Reports
- Phase One Move completion by 3rd Quarter of FY20

BUDGET

TBD	In development
-----	----------------

KEY DEPENDENCIES/ASSUMPTIONS

- Work with vendors begins 2nd quarter of FY20
- 6 month completion time
- Key milestones & deliverables progress subject to change
- Staffing resources & funding availability

MILESTONES / DELIVERABLES

Q3/FY20

- Invesco & LACERS completion of asset management contract, budgets, capital plan approval, and board report presentation
- Investments & Member Engagement (ME) Divisions complete relocation steps including backfill plan
- Space & technology plan preparedness, specifications, procurement, installation, and policies
- Migration to a mobile work environment

- Migration to online document management system
- Move coordination and execution
- Other relocation preparations & implementations including Emergency Preparedness Plan (EPP) draft, safety & security plans, & Phase One of potential future adjustments evaluation

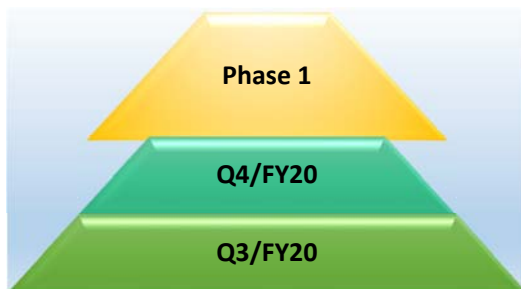
Q4/FY20

- Invesco & LACERS FY20, 3rd Quarterly Report
- Begin Phase Two Planning and timeline
- Present HQ Budget to the Board

ISSUES / CHALLENGES

- Uniqueness of managing one's own building
- New team of staff and consultants/vendors needing to mobilize quickly

KEY INDICATORS



- Transition of Investment & Member Engagement Divisions to the building
- Approval of 2nd floor design plans
- Connectivity of network for necessary services
- Data migration to Box.com
- Furniture installation completed
- Deployment of mobile workforce tools

EXECUTIVE ACTION ITEMS

- Request dedicated staffing to support expanded facilities manager role

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APPENDIX A – BUSINESS PLAN INITIATIVE TEMPLATE

INITIATIVE: **Name of Business Plan Initiative**
 DIVISION(S)/SECTIONS: **[Division/Section Name]**
 STRATEGIC GOAL(S): **[Associated Strategic Goal Area]**

Shade the cells according to status:

- Completed
- On Track
- Off Track
- Intervention Needed

STATUS: **[On Track] [Off Track]**
 REPORT MONTH: **[Reporting Month][Year]**
 LEAD(S): **[First and Last Names]**

INITIATIVE SUMMARY

[Provide 1-2 line description of initiative. Bullet the major components.]

- [Component 1]
- [Component 2]
- [Component 3]

BUDGET

Appropriation:	\${Whole Dollars}
Expense:	\${Whole Dollars}
Unspent:	\${Whole Dollars}

[Add budget notes here]
 [Budget should reflect expenses, excluding salaries, unless requesting new positions mid-year.]

KEY DEPENDENCIES/ASSUMPTIONS

- [Bullet assumptions of certain resources or prioritizations that are required for timely implementation of this initiative.]
- [For example: Funding availability, staffing availability, other resource availability, key cooperation.]

MILESTONES / DELIVERABLES

Q1/FY20

- ✓ [List key completed items/milestones this quarter. Use check mark bullet.]
- [List key upcoming items/deliverables this quarter. Use the box bullet.]

Q2/FY20

- ✓ [List key completed items/milestones this quarter. Use check mark bullet.]
- [List key upcoming items/deliverables this quarter. Use the box bullet.]

Q3/FY20

- ✓ [List key completed items/milestones this quarter. Use check mark bullet.]
- [List key upcoming items/deliverables this quarter. Use the box bullet.]

Q4/FY20

- ✓ [List key completed items/milestones this quarter. Use check mark bullet.]
- [List key upcoming items/deliverables this quarter. Use the box bullet.]

ISSUES/CHALLENGES

- [Identify any current or future barriers to the achievement of deliverables. Keep it brief.]

KEY INDICATORS

- [Provide quantitative measurements of successful implementation. Graphical representations are encouraged.]

Survey Feedback

"How helpful was this medical section for you?"

"Do you feel like you have a better understanding of how your medical benefits work now?"

Choice	Count	%	Choice	Count	%
Extremely helpful	6	42.9%	Yes, definitely	7	29.2%
Very helpful	3	21.4%	Yes, a little	9	37.5%
Somewhat helpful	3	21.4%	Maybe	2	8.3%
Not very helpful	1	7.1%	No, not really	4	16.7%
Not at all helpful	1	7.1%	No, definitely not	2	8.3%

EXECUTIVE ACTION ITEMS

- Sitemap review and approval
- Content administration roles & responsibilities

Side bar represents the status over the months in the FY. Change the color accordingly.

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LACERS

LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Investment Committee

Sung Won Sohn, Chair
Elizabeth Lee
Nilza R. Serrano

MEETING: FEBRUARY 11, 2020

ITEM: VIII – B

SUBJECT: FINALIST FIRMS OF THE HIGH YIELD FIXED INCOME AND HYBRID HIGH YIELD FIXED INCOME/BANK LOAN INVESTMENT MANAGER SEARCH AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

1. Award contracts for three-year terms for the High Yield Fixed Income (high yield strategy) and Hybrid High Yield Fixed Income/U.S. Floating Rate Bank Loan (hybrid strategy) Mandate Search to the following firms:

High Yield Strategy: Loomis, Sayles & Company, L.P.

Hybrid Strategy: DDJ Capital Management, LLC

2. Authorize the Executive Officer to approve and execute the necessary documents, subject to satisfactory business and legal terms.

Executive Summary

The Board-approved request for proposal (RFP) for high yield strategy and hybrid strategy managers opened on February 19, 2019, and closed on March 22, 2019. A combined 44 proposals were received (32 for the high yield strategy and 12 for the hybrid strategy), representing 37 firms; 36 proposals met the minimum qualifications (MQs) required to participate in the search. Three firms progressed as semi-finalists for the high yield strategy and two firms progressed as semi-finalists for the hybrid strategy: Aegon USA Investment Management, LLC (high yield); Loomis, Sayles & Company, L.P. (high yield); Morgan Stanley Investment Management (high yield); DDJ Capital Management, LLC (hybrid); and KKR Credit (hybrid). On January 21, 2020, the Committee interviewed all five firms as finalists and

advanced for Board consideration to hire Loomis, Sayles & Company, L.P. for the high yield strategy and DDJ Capital Management, LLC for the hybrid strategy.

Discussion

The Board approved an RFP process to evaluate the current marketplace for high yield strategy and hybrid strategy managers on October 23, 2018. Based upon the asset allocation targets approved by the Board on April 10, 2018, and LACERS' total fund assets at the time of RFP approval, approximately \$470 million (2.66% of total fund assets) will be allocated to this mandate with an equal split between the high yield and hybrid strategies. The search opened on February 19, 2019, and closed on March 22, 2019.

A combined 44 proposals were received from 37 firms, including three emerging investment managers. Upon review of the proposals, 30 of 32 met the MQs for the high yield strategy; six of 12 met the MQs for the hybrid strategy. None of the emerging investment manager proposals met the MQs. On August 13, 2019, the Committee reviewed a candidate evaluation report by NEPC, LLC (NEPC), LACERS' General Fund Consultant, and concurred with the staff recommendation to advance the following five firms as semi-finalists in the search:

- 1) High Yield Strategy: Aegon USA Investment Management, LLC (incumbent manager)¹
Loomis, Sayles & Company, L.P.
Morgan Stanley Investment Management
- 2) Hybrid Strategy: DDJ Capital Management, LLC
KKR Credit

On-site meetings were conducted with the five semi-finalists to obtain a better understanding of potential investment and organizational risks. Staff and NEPC interviewed various professionals on topics that included, but were not limited to, overall business strategy and growth, organization and reporting structure, staffing and compensation, investment philosophy and strategy, trading, risk management, compliance and controls, and technology. Staff also conducted reference checks and conferred with NEPC's manager research team.

On January 21, 2020, staff presented a recommendation to the Committee to advance all five semi-finalist firms as finalists in the search. The Committee interviewed each finalist and advanced for Board consideration to hire Loomis, Sayles & Company, L.P. for the high yield strategy and DDJ Capital Management, LLC for the hybrid strategy. The approximate proposed allocation to each firm and proposed effective fees are presented in the following table.

¹Manages approximately \$392 million for LACERS in a high yield fixed income strategy as of January 31, 2020.

Style	Manager	Allocation % of Total Portfolio	Approximate Allocation % of Credit Opportunities Portfolio*	Approximate Allocation \$ in millions	Proposed Effective Fee
High Yield	Loomis, Sayles, and Company, L.P	1.33%	10.86%	\$235	37.0 bps
Hybrid	DDJ Capital Management, LLC	1.33%	10.86%	\$235	51.4 bps

*Credit opportunities represents 12.25% of the total portfolio

The funding for these strategies will be derived from 1) all assets managed by LACERS' current high yield fixed income manager, Aegon USA Investment Management, LLC (approximately \$392 million as of January 31, 2020); and 2) a reduction to LACERS' core fixed income allocation (approximately \$80 million). Staff will return to the Board at a future meeting to address the contract with Aegon USA Investment Management, LLC.

Strategic Plan Impact Statement

The RFP for high yield strategy and hybrid strategy managers assists the fund in optimizing long-term risk adjusted investment returns (Goal IV). Implementing a competitive bidding process by issuing an RFP upholds good governance practices, which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Robert King, Investment Officer I, Investment Division

RJ/BF/WL/RK:jp

- Attachments: 1. Investment Committee Recommendation Report dated January 21, 2020
2. Proposed Resolutions

**REPORT TO INVESTMENT COMMITTEE**

From: Lita Payne, Executive Officer

Lita Payne

MEETING: JANUARY 21, 2020

ITEM: II

SUBJECT: FINALIST FIRMS OF THE HIGH YIELD FIXED INCOME AND HYBRID HIGH YIELD FIXED INCOME/BANK LOAN INVESTMENT MANAGER SEARCH AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee:

- 1) Interview the following firms as finalists for the High Yield Fixed Income (high yield strategy) and Hybrid High Yield Fixed Income/U.S. Floating Rate Bank Loan (hybrid strategy) Mandate Search:

High Yield Strategy Finalists: Aegon USA Investment Management, LLC (Incumbent manager)
Loomis, Sayles & Company, L.P.
Morgan Stanley Investment Management

Hybrid Strategy Finalists: DDJ Capital Management, LLC
KKR Credit

- 2) Recommend to the Board one finalist from each strategy for contract award

Executive Summary

The Board-approved request for proposal (RFP) for high yield strategy and hybrid strategy managers opened on February 19, 2019, and closed on March 22, 2019. A combined 44 proposals were received (32 for the high yield strategy and 12 for the hybrid strategy), representing 37 firms; 31 proposals met the minimum qualifications (MQs) required to participate in the search. None of the three emerging investment manager proposals met the MQs. Three firms progressed as semi-finalists for the high yield strategy and two firms progressed as semi-finalists for the hybrid strategy. Further due diligence, including on-site visits, was conducted on the five semi-finalists, and staff recommends all five firms as finalists. Staff also recommends that the Committee select one finalist for the high yield strategy and one finalist for the hybrid strategy for Board consideration and possible contract award. LACERS' general fund consultant, NEPC, LLC, (NEPC) concurs with staff's recommendation.

Discussion

Background

The Board approved an RFP process to evaluate the current marketplace for high yield strategy and hybrid strategy managers on October 23, 2018. Based upon the asset allocation targets approved by the Board on April 10, 2019, and LACERS' total fund assets at the time of RFP approval, approximately \$470 million (2.66% of total fund assets) will be allocated to this mandate with an equal split between the high yield and hybrid strategies. The funding for these strategies will be derived principally from the high yield fixed income assets currently managed by Aegon USA Asset Management, LLC and a reduction to the core fixed income allocation.

The search opened on February 19, 2019, and closed on March 22, 2019. The RFP was published on LACERS' website and NEPC's website. The search was advertised in the Pensions & Investments and Emerging Manager Monthly publications. The RFP was also advertised online through the following organizations: Association of Asian American Investment Managers, National Association of Investment Companies, and New America Alliance. Further, the RFP was emailed to all contacts within the LACERS Investment RFP/RFI Notification System database.

Search Results

A combined 44 proposals were received from 37 firms, including three emerging investment managers. Upon review of the proposals, 30 of 32 met the MQs for the high yield strategy; six of 12 met the MQs for the hybrid strategy. None of the emerging investment manager proposals met the MQs.

On August 13, 2019, the Committee reviewed NEPC's candidate evaluation report and concurred with the staff recommendation to advance the following five firms as semi-finalists in the search:

- 1) High Yield Strategy: Aegon USA Investment Management, LLC (incumbent manager)¹
Loomis, Sayles & Company, L.P.
Morgan Stanley Investment Management

- 2) Hybrid Strategy: DDJ Capital Management, LLC
KKR Credit

Additional Due Diligence Activities

On-site meetings were conducted with the five semi-finalists to obtain a better understanding of potential investment and organizational risks. Staff and NEPC interviewed various professionals on topics that included, but were not limited to, overall business strategy and growth, organization and reporting structure, staffing and compensation, investment philosophy and strategy, trading, risk management, compliance and controls, and technology. Staff also conducted reference checks and conferred with NEPC's manager research team.

¹Manages approximately \$394 million for LACERS in a high yield fixed income strategy.

Based upon these due diligence activities, staff recommends all five firms as the proposed finalists for interview by the Committee. These firms exhibit organizational stability, strong management teams, well-articulated investment strategies consistent with LACERS objectives, well-defined risk management and compliance practices, and track records of adding value. Staff also received positive feedback from references for these firms.

Staff also recommends that the Committee select one finalist for the high yield strategy and one finalist for the hybrid strategy for Board consideration and possible contract award upon conclusion of the interviews. The approximate \$470 million (2.66% of total fund assets) allocated to this mandate will be equally split between the high yield and hybrid strategy managers.

NEPC concurs with staff's recommendation.

Strategic Plan Impact Statement

The RFP for high yield strategy and hybrid strategy managers assists the fund in optimizing long-term risk adjusted investment returns (Goal IV). Implementing a competitive bidding process by issuing an RFP upholds good governance practices, which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Robert King, Investment Officer I, Investment Division

RJ/BF/WL/RK:sg

- Attachments:**
1. Finalist Information Matrix and Performance Returns
 2. Presentation by Aegon USA Investment Management, LLC
 3. Presentation by Loomis, Sayles & Company, L.P.
 4. Presentation by Morgan Stanley Investment Management
 5. Presentation by DDJ Capital Management, LLC
 6. Presentation by KKR Credit

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

PROPOSED RESOLUTION

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

February 11, 2020

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

PROPOSED RESOLUTION

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:

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

February 11, 2020



REPORT TO BOARD OF ADMINISTRATION

From: Lita Payne, Executive Officer *Lita Payne*

MEETING: FEBRUARY 11, 2020

ITEM: VIII – C

SUBJECT: PUBLIC COMMENT LETTER TO THE SECURITIES AND EXCHANGE COMMISSION REGARDING PROXY VOTING ADVICE AND SHAREHOLDER PROPOSALS AND POSSIBLE BOARD ACTION

ACTION: **CLOSED:** **CONSENT:** **RECEIVE & FILE:**

Recommendation

That the Board consider and approve LACERS' comment letter to the U.S. Securities and Exchange Commission (SEC) to oppose proposed amendments to regulate proxy voting advice (S7-22-19) and shareholder proposal thresholds (S7-23-19).

Executive Summary

On November 5, 2019, the SEC introduced amendments to the Securities Exchange Act of 1934 that would alter the procedures of proxy voting advisory firms and the rules for participating in shareholder proposals and ballots. Staff has drafted a letter to the SEC to share LACERS' opposition to these proposed changes.

Discussion

LACERS is committed to being an active shareholder of publicly traded companies through the LACERS Proxy Voting Policy (Polcy). Proxy voting is a key way for LACERS to engage companies and support sound governance practices that maximize shareholder value. LACERS currently utilizes a proxy voting advisory firm, Institutional Shareholder Services Inc. (ISS), to cast votes for LACERS in accordance with the Policy and make recommendations for issues not addressed by the Policy. On November 5, 2019, the SEC introduced two amendments to the Securities Exchange Act of 1934 that would alter the procedures of proxy voting advisory firms and the rules for participating in shareholder proposals and ballots.

Amendment S7-22-19 seeks to alter the relationship between asset owners and proxy voting advisory firms that assist asset owners. The proposed SEC rules would limit the ability of advisory firms to provide recommendations to asset owners and would allow companies to review and comment on voting recommendations made by advisory firms before they are shared with asset owners.

In fiscal year 2019, ISS voted a total of 11,865 proxy ballots for 4,528 U.S. companies and 7,337 non-U.S. companies on behalf of LACERS. Given the number of ballots, LACERS would be challenged in voting all of its proxy ballots without the support of ISS or a similar organization. It is important for LACERS that ISS's advice remain separate and independent from the company's recommendations. Furthermore, ISS estimates that the proposed changes may delay the publication of their reports to clients, limiting the amount of time for LACERS staff to review recommendations that are outside of the Policy.

Amendment S7-23-19 would alter the eligibility and rules for participating in shareholder elections. In particular, it increases the ownership thresholds that allow shareholders to vote such that a shareholder must either (1) hold greater market values of the company's securities or (2) hold the securities for a longer period of time. The S7-23-19 amendment also makes it more difficult to reintroduce shareholder proposals that are substantially similar to previous proposals that did not gain a majority vote.

Both amendments would adversely impact LACERS' ability to encourage strong governance practices of publicly traded companies and protect shareholder value through the proxy voting process. Staff recommends that the Board oppose the SEC's proposed changes by submitting the attached comment letter to the SEC.

Strategic Plan Impact Statement

The discussion of the SEC's proposed amendments on proxy voting and participation of shareholder elections are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Ellen Chen, Investment Officer I, Investment Division

RJ/BF/EC:jp

- Attachment:
1. LACERS S7-22-19 and S7-23-19 Letter to the SEC
 2. Council of Institutional Investors Fact Sheet: Proposal to Regulate Proxy Advisory Firms (Amendment S7-22-19)
 3. Council of Institutional Investors Fact Sheet: Proposal to Limit Shareholder Proposals (Amendment S7-23-19)



Eric Garcetti
Mayor of the City of Los Angeles

LACERS BOARD OF ADMINISTRATION

Cynthia M. Ruiz, President
Annie Chao
Elizabeth Lee
Sandra Lee
Nilza R. Serrano
Sung Won Sohn
Michael R. Wilkinson

LACERS EXECUTIVE STAFF

Neil M. Guglielmo, General Manager
Lita Payne, Assistant General Manager
Todd Bouey, Assistant General Manager
Rodney June, Chief Investment Officer

February 11, 2020

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: **S7-22-19** Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice
S7-23-19 Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8

Dear Madam Secretary and Commissioners:

I am writing on behalf of the Los Angeles City Employees' Retirement System (LACERS). As a public pension system, we oversee a portfolio of over \$18 billion in assets and represent over 45,000 members and beneficiaries. LACERS has a long-term investment horizon with a goal of providing plan members and their beneficiaries with post-retirement benefits. LACERS appreciates the opportunity to share with you some of our preliminary views regarding the Securities and Exchange Commission (SEC) proposals.

The current SEC regulations have long recognized that proxy voting and shareholder resolutions constitute important investor protections and provide a cost-effective way to maintain a system of accountability among shareholders, corporate managers, and boards. S7-22-19 would inhibit the ability of LACERS to receive timely, independent reports from our proxy voting advisory firm, Institutional Shareholder Services Inc. (ISS), to manage our votes according to the LACERS Proxy Voting Policy, and to cast informed proxy votes. Furthermore, S7-23-19 would limit shareholders' ability to submit proposals that address issues of concern pertaining to the long-term interests of the company and to sustain such proposals over the years should more time be required to garner the necessary shareholder support.

Ms. Vanessa A. Countryman
February 11, 2020
Page 2

While LACERS understands that there may be ways to simplify or improve the current process, we urge the SEC to maintain a system that provides fair access to all shareholders to voice their opinions and to act on proxy recommendations in an independent and timely manner. As such, LACERS strongly opposes S7-22-19 and S7-23-19.

Thank you for the opportunity to share LACERS' views on these important topics with you. Should you have any questions or require further information, please do not hesitate to contact Rodney June, Chief Investment Officer, at 213-473-7124.

Sincerely,

Cynthia M. Ruiz
LACERS Board President

cc: LACERS Board Members

CR:RJ:BF:EC

**COUNCIL OF INSTITUTIONAL INVESTORS FACT SHEET: Proposal to Regulate Proxy
Advisory Firm (Amendment S7-22-19)**

What the SEC has Proposed

The SEC proposal contains two main categories of amendments to federal securities laws governing regulation of proxy advisory firms. The proposal would:

1. **Codify that a person furnishing proxy voting recommendations, research and analysis is considered to be engaging in a proxy solicitation.**
 - a. Proposed amendment would codify an "Interpretation and Guidance" that the SEC issued in August 2019.^[1]
 - b. Legal conclusion that services of proxy advisors are proxy solicitations is significant because:
 - It would essentially prevent a proxy advisor from providing services unless it qualifies for an exemption from proxy solicitation rules that require substantial information and filing requirements.
 - It would subject proxy advisors to Rule 14a-9 liability for materially misleading misstatements or omissions.
2. **Revise rules that proxy advisory firms must meet to remain exempt from proxy solicitation rules. The new conditions or hurdles for proxy advisors include:**
 - a. Proxy advisors must disclose in a specified manner material conflicts of interest in the proxy voting "advice" (or report) and in any electronic medium used to deliver advice.
 - b. Proxy advisors must provide an opportunity for companies and "other soliciting persons" (which means dissidents in proxy fights) to review and give feedback on a draft proxy advisor report on annual and special meetings before sending it to institutional investor clients. The required feedback period would be:
 - 5 business days if the company files its definitive proxy statement 45 calendar days before a meeting
 - 3 business days if the company files between 45 and 25 calendar days prior to a meeting
 - c. Proxy advisors must provide an additional opportunity for companies to review a "final" proxy advisor report no later than 2 business days before distribution to proxy advisor clients.
 - d. If a proxy is filed 25 calendar days or less before the annual meeting, there would be no obligation for the proxy advisor to allow an opportunity for feedback.^[2]
 - e. Proxy advisors must allow companies to provide a written response that would be included via hyperlink in final proxy advisor report.

^[1] The August Interpretation and Guidance was issued with no cost/benefit analysis and no public comment period.

^[2] CII analysis of Broadridge data for 2019 finds that 97.1% of companies filed annual meeting materials at least 25 days before the annual meeting, and therefore would have qualified for the right of company management to review proxy advisor reports.

COUNCIL OF INSTITUTIONAL INVESTORS FACT SHEET: Proposal to Limit Shareholder Proposals (Amendment S7-23-19)

What the SEC has Proposed

The SEC rule changes would limit Rule 14a-8, the shareholder proposal rule, by:

1. **Raising stock ownership requirements if shares have been held less than three year**
 - a. Currently, a shareholder must have held shares valued at a minimum of \$2,000 for at least one year.
 - b. Under the proposed change, required ownership would be \$25,000 if held for less than two years, \$15,000 if held for between two and three years, and \$2,000 if held for more than three years. The changes also would no longer permit aggregation of shares. The stipulated amounts must be held by the single individual or entity. This is intended to limit use of shareholder proposals by individual investors, given purported costs to issuers (although the SEC does not consider benefits).
2. **Raising resubmission thresholds substantially**
 - a. Currently, a proposal may not be submitted if a proposal on the same subject matter received support of less than 3% of shares if voted on once in the preceding five years; 6% if voted on twice in the preceding five years; and 10% if voted on three times or more in the previous five years.
 - b. Under the proposed changes, the resubmission thresholds would be raised to 5% the first year; 15% the second; and 25% the third. The operation of this rule would be the same – that is, it applies if a proposal “addresses substantially the same subject matter” as an earlier proposal that failed to meet the threshold requirement.
 - c. The SEC also would put in place a new rule that if a proposal receives between 25% and 50% support, but that vote decreased by 10% or more from the immediately preceding vote, e.g., from 40% to 36%, it would be excludable (4=10% x 40). This so-called “lack of momentum” rule may have limited effect, but will impact topics on which votes are substantial but volatile, particularly those influenced by company performance (notably proposals for an independent chair^[5]).
3. Making a series of **changes to make it more challenging to file proposals** (aimed in particular at hindering prolific individual proponents but with potential for collateral damage to many other proponents) including:
 - a. Unnecessary tightening of the “one-proposal” rule, inhibiting shareholders’ use of skilled representatives to assist in filing and engagement
 - b. Requirement for the proponent to be available to discuss the proposal with the company within a short (20-day) government-specified window after filing
 - c. Requirement to provide “documentation attesting that the shareholder supports the proposal and authorizes the representative to submit” it

[5] For example, a 2019 proposal to Boeing requesting an independent board chair would have been excludable, based on a substantial but reduced vote in 2018 when the Boeing share price was very high. By the time of the vote, impacts on the airplane manufacturer from crashes of its 737 MAX airliners had begun to depress the share price, and the 2019 proposal that was eligible under existing rules again received more support. After the Boeing crisis deepened, the board finally agreed to name an independent chair later in 2019.

Council of Institutional Investors 2020, *Leading Investor Group Blasts SEC’s Proposed Rules for Proxy Advice and Shareholder Proposals*, viewed 4 February 2020, https://www.cii.org/jan2020seclatters?utm_source=1-31-20+ICYMI+SEC+Letters&utm_campaign=1-31-20+ICYMI+SEC+Letters&utm_medium=email#_ftn1