

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

In conformity with the Governor's Executive Order N-29-20 (March 17, 2020)
and due to the concerns over COVID-19, the
LACERS Board of Administration's
October 27, 2020, meeting was conducted
via telephone and/or videoconferencing.

Agenda of: Nov. 24, 2020

Item No: II

October 27, 2020

10:00 a.m.

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

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

Item I taken out of order.

II

APPROVAL OF MINUTES FOR THE REGULAR MEETING OF SEPTEMBER 22, 2020 AND POSSIBLE BOARD ACTION – Commissioner Chao moved approval, seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, Vice President Sohn, and President Ruiz -7; Nays, None.

III

BOARD PRESIDENT VERBAL REPORT – President Ruiz stated that she and Vice President Sohn attended the Milken Institute Virtual Conference in October and they both shared their experiences.

IV

GENERAL MANAGER VERBAL REPORT

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

- LA City Separation Incentive Program (SIP) Update
- Open Enrollment
- MSC Stats
- Transition to real-time text (RTT)
- Public Pension Coordinating Council (PPCC) Award 2020
- LACERS Headquarters update
- Active Member E-Blast

B. UPCOMING AGENDA ITEMS – Neil M. Guglielmo, General Manager, advised the Board on the following upcoming agenda items:

- Mid-Year Budget
- June 30, 2020 Actuarial Valuation
- Return with new LACERS logo options requested by the Board
- Year End Member Service Request

V

RECEIVE AND FILE ITEMS

A. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR SEPTEMBER 2020 – This report was received by the Board and filed.

Item I taken out of order

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – ***THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT – PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD*** – President Ruiz asked if any persons wanted to make a general public comment to which there was no response.

VI

COMMITTEE REPORT(S)

A. INVESTMENT COMMITTEE VERBAL REPORT ON THE MEETING OF OCTOBER 13, 2020 – Commissioner Serrano stated the Committee approved the termination of contracts with AQR Capital Management, LLC and Quantitative Management Associates, LLC, and received a

presentation by Northern Trust regarding LACERS' Securities Lending Program, and the LACERS annual brokerage activity report presented by staff.

VII

INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value at \$19.47 billion as of October 26, 2020. Mr. June discussed the following items:
- Loomis Sayles CEO retiring in March 2021
 - Crescent Capital selling 51% stake to Sun Life Capital
 - Upcoming agenda items: Private Equity Performance Review, Real Estate Performance Review, and Private Equity Commitment Notifications
- B. INVESTMENT MANAGER CONTRACT WITH AQR CAPITAL MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. SMALL CAP EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION – Bryan Fujita, Chief Operating Officer, and Ellen Chen, Investment Officer I, presented this item to the Board for 10 minutes. After discussion, Commissioner Serrano moved approval of the following Resolution:

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

RESOLUTION 201027-A

WHEREAS, LACERS' current one-year contract extension with AQR Capital Management, LLC for active non-U.S. small cap equities portfolio management expires on January 30, 2021; and,

WHEREAS, AQR was placed "On-Watch" on May 13, 2019, due to performance as of March 31, 2019, in accordance with the LACERS Manager Monitoring Policy (Policy); and,

WHEREAS, AQR's "On Watch" status was extended for another one-year period effective May 14, 2020 for continued breach of Policy criteria based on performance as of March 31, 2020; and,

WHEREAS, as of September 30, 2020, the strategy continues to underperform the benchmark and breach Policy criteria; and,

WHEREAS, on October 27, 2020, the Board approved the Investment Committee's recommendation to terminate the contract with AQR and transition AQR's assets to the SSgA MSCI EAFE Small Cap Index Non-Lending Fund, a passive commingled fund available to LACERS under the Multi-Passive Index Portfolio Management contract with State Street Global Advisors (State Street).

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the termination of the AQR contract and authorizes LACERS staff to redeploy AQR's assets to the SSgA MSCI EAFE Small Cap Index Non-Lending Fund managed by State Street.

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

- C. INVESTMENT MANAGER CONTRACT WITH QUANTITATIVE MANAGEMENT ASSOCIATES, LLC REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS CORE EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION – Commissioner Elizabeth Lee moved approval of the following Resolution:

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

RESOLUTION 201027-B

WHEREAS, LACERS' current one-year contract extension with Quantitative Management Associates, LLC (QMA) for active emerging markets core equities portfolio management expires on December 31, 2020; and,

WHEREAS, QMA was placed "On-Watch" on July 29, 2019, due to performance as of June 30, 2019, in accordance with the LACERS Manager Monitoring Policy (Policy); and,

WHEREAS, QMA's "On Watch" status was extended for another one-year period effective July 29, 2020 for continued breach of Policy criteria based on performance as of June 30, 2020; and,

WHEREAS, as of September 30, 2020, the strategy continues to underperform the benchmark and breach Policy criteria; and,

WHEREAS, on October 27, 2020, the Board approved the Investment Committee's recommendation to terminate the contract with QMA and transition QMA's assets to the SSgA Daily MSCI Emerging Markets Index Non-Lending Fund, a passive commingled fund available to LACERS under the Multi-Passive Index Portfolio Management contract with State Street Global Advisors (State Street).

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the termination of the QMA contract and authorizes LACERS staff to redeploy QMA's assets to the SSgA Daily MSCI Emerging Markets Index Non-Lending Fund managed by State Street.

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

- D. CONTINUED DISCUSSION OF SECURITIES LENDING PROGRAM MODIFICATIONS AND POSSIBLE BOARD ACTION – Bryan Fujita, Chief Operating Officer, and Jeremiah Paras, Investment Officer I, presented this item to the Board. After discussion, Commissioner Elizabeth Lee moved approval, seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, Vice President Sohn, and President Ruiz -7; Nays, None.

- E. CONTINUED DISCUSSION OF TEMPORARY ASSET ALLOCATION AND REBALANCING POLICIES AND POSSIBLE BOARD ACTION – Rod June, Chief Investment Officer, presented this item to the Board. After discussion, Commissioner Wilkinson moved approval, seconded by Commissioner Chao, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, Vice President Sohn, and President Ruiz -7; Nays, None.

VIII

CLOSED SESSION

- A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b)(1): GENERAL MANAGER 2019-20 PERFORMANCE EVALUATION AND POSSIBLE BOARD ACTION**

The Board had no further discussion on the General Manager 2019-20 performance evaluation and did not convene in closed session.

IX

BOARD/DEPARTMENT ADMINISTRATION

- A. CONSIDERATION OF 2019-20 GENERAL MANAGER’S MERIT PAY AND POSSIBLE BOARD ACTION – Commissioner Wilkinson moved approval to increase General Manager Neil M. Guglielmo’s merit pay by 5%, seconded by Commissioner Chao and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, Vice President Sohn, and President Ruiz -7; Nays, None.
- B. RECEIVE AND FILE – GASB 68 AND GASB 75 VALUATIONS BASED ON JUNE 30, 2019 MEASUREMENT DATE FOR EMPLOYER REPORTING AS OF JUNE 30, 2020 – Rahoof “Wally” Oyewole, Department Chief Accountant IV and Andy Yeung, Actuary with Segal discussed this item with the Board for 10 minutes. The report was received by the Board and filed.

X

OTHER BUSINESS – No other business was discussed.

XI

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, November 10, 2020 at 10:00 a.m. at LACERS, 977 N. Broadway, Suite 260, Los Angeles, CA 90012, and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings while response to public health concerns relating to the novel coronavirus continue.

XII

ADJOURNMENT – There being no further business before the Board, President Ruiz adjourned the Meeting in the memory of Ed Harding, LACERS Retiree who passed away on October 16, 2020 and Commissioner Elizabeth Lee asked to adjourn the meeting in the memory of Evangelina Bustamante, LACERS Retiree who passed away on October 22, 2020. The meeting was adjourned at 11:22 a.m.



Cynthia M. Ruiz
President



Neil M. Guglielmo
Manager-Secretary