

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
January 26, 2021, meeting was conducted
via telephone and/or videoconferencing.

Agenda of: Feb. 23 2021

Item No: II

January 26, 2021

10:00 a.m.

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

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

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.

II

APPROVAL OF MINUTES FOR THE REGULAR MEETING OF DECEMBER 22, 2020 AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval, seconded by Commissioner Elizabeth Lee, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, Vice President Sohn, and President Ruiz -6; Abstain, Commissioner Chao -1.

III

BOARD PRESIDENT VERBAL REPORT – President Ruiz asked that LACERS look into a program for retirees during these lonely times, “Seniors for Seniors”. This would connect seniors with senior pets at the animal shelters.

IV

GENERAL MANAGER VERBAL REPORT

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

- SIP Update
- CPRA Year-End Statistics
- LA Times Building Development
- Member Deaths
- Open Enrollment
- Retiree Wellness
- 50+ Health Assessment
- COVID-Related Reimbursement
- MSC Stats
- Tech Talk Training
- Working with Outside Agencies

B. UPCOMING AGENDA ITEMS – Neil M. Guglielmo, General Manager, advised the Board of the following item:

- FY20/21 – Business Plan Initiatives Mid-Year reporting (period ending 12/31/2020)

C. PRESENTATION OF LACERS POPULAR ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2020 – Vikram Jadhav, Innovation Director, presented and discussed this report with the Board.

V

RECEIVE AND FILE ITEMS

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

B. COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AND POPULAR ANNUAL FINANCIAL REPORT (PAFR) FOR FISCAL YEAR ENDED JUNE 30, 2020 – This report was received by the Board and filed.

VI

COMMITTEE REPORT(S)

- A. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT FOR THE MEETING ON JANUARY 26, 2021 – Commissioner Wilkinson stated the Committee was introduced to Stephanie Smith, Wellness Program Manager. The Committee was also presented the LACERS *Well* 2020 Annual Report and the 2022 Health Plan Renewal. He also shared that the Committee was notified that the Harbor Department is looking into a SIP.
- B. INVESTMENT COMMITTEE VERBAL REPORTS FOR THE MEETING ON JANUARY 12, 2021 – Vice President Sohn stated the Committee approved the contracts with CoreCommodity Management, LLC and Bain Capital Senior Loan Fund, L.P. The Committee also discussed and approved the Core Fixed Income Manager Allocation Plan and the updates to the Investment Policy.

VII

INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value of \$21.28 billion as of January 25, 2021. Mr. June discussed the following items:
- Market value of portfolio on 12/31/20 was \$20.95 billion, 11.7% net of fee return with a forthcoming comprehensive performance evaluation by NEPC in March 2021
 - ESG and PRI updates including Ellen Chen being appointed ESG Risk Officer
 - Pacific Center for Asset Management Update
 - Internship starting in the summer 2021 including a LACERS Girls Who Invest internship
- B. PRESENTATION BY NEPC, LLC REGARDING ASSET ALLOCATION AND POSSIBLE BOARD ACTION – Rod June, Chief Investment Officer, Carolyn Smith, Partner with NEPC, and Lynda Dennen, Principal with NEPC, presented and discussed this item with the Board for one hour. The Board took no action on this item.

Commissioner Sandra Lee left the Regular Meeting at 12:13 p.m.

- C. INVESTMENT MANAGER CONTRACT WITH CORECOMMODITY MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE LONG-ONLY COMMODITIES PORTFOLIO AND POSSIBLE BOARD ACTION – Commissioner Sohn moved approval of the following Resolution:

**CONTRACT TERMINATION
CORECOMMODITY MANAGEMENT, LLC
ACTIVE LONG-ONLY COMMODITIES PORTFOLIO MANAGEMENT**

RESOLUTION 210126-A

WHEREAS, LACERS' current contract with CoreCommodity Management, LLC (CoreCommodity) for active long-only commodities portfolio management expires on May 31, 2021; and,

WHEREAS, CoreCommodity was placed “On-Watch” for an initial one-year period effective September 15, 2020 due to underperformance, pursuant to the LACERS Manager Monitoring Policy; and,

WHEREAS, as of December 31, 2020, the strategy has underperformed the benchmark since inception; and,

WHEREAS, commodities strategies have a low expected return outlook based on research by LACERS’ General Fund Consultant, NEPC, LLC; and

WHEREAS, on January 26, 2021, the Board approved the Investment Committee’s recommendation to terminate the contract with CoreCommodity and redeploy the assets to the unallocated cash account.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the termination of the contract with CoreCommodity and redeployment of the assets to the unallocated cash account.

Which motion was seconded by Commissioner Elizabeth Lee, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Serrano, Wilkinson, Vice President Sohn, and President Ruiz -6; Nays, None.

D. INVESTMENT MANAGER CONTRACT WITH BAIN CAPITAL SENIOR LOAN FUND, L.P. REGARDING THE MANAGEMENT OF AN ACTIVE U.S. BANK LOANS FUND AND POSSIBLE BOARD ACTION – Commissioner Sohn moved approval of the following Resolution:

**CONTRACT RENEWAL
BAIN CAPITAL SENIOR LOAN FUND, L.P.
ACTIVE U.S. BANK LOANS PORTFOLIO MANAGEMENT**

RESOLUTION 210126-B

WHEREAS, LACERS’ current three-year contract with Bain Capital Senior Loan Fund, L.P. (Bain) for management of an active U.S. bank loans portfolio expires on June 30, 2021; and,

WHEREAS, a contract renewal with Bain will allow the fund to maintain a diversified exposure to the U.S. bank loans markets; and,

WHEREAS, on January 26, 2021, the Board approved the Investment Committee’s recommendation to approve a three-year contract renewal with Bain.

NOW, THEREFORE, BE IT RESOLVED, that the General Manager is hereby authorized to approve and execute a contract subject to satisfactory business and legal terms and consistent with the following services and terms:

<u>Company Name:</u>	Bain Capital Senior Loan Fund, L.P.
<u>Service Provided:</u>	Active U.S. Bank Loans Portfolio Management
<u>Effective Dates:</u>	July 1, 2021 through June 30, 2024

<u>Duration:</u>	Three years
<u>Benchmark:</u>	Credit Suisse Leveraged Loan Index
<u>Allocation as of December 31, 2020:</u>	\$228.6 million

Which motion was seconded by Commissioner Elizabeth Lee, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Serrano, Wilkinson, Vice President Sohn, and President Ruiz -6; Nays, None.

- E. FINALIST FIRMS OF THE CORE FIXED INCOME MANAGER SEARCH AND ALLOCATION PLAN AND POSSIBLE BOARD ACTION – Commissioner Chao moved approval of the following Resolutions:

**CONTRACT AUTHORIZATION
ROBERT W. BAIRD & CO., INC.
ACTIVE CORE FIXED INCOME PORTFOLIO MANAGEMENT**

RESOLUTION 210126-C

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal (RFP) process to evaluate the current marketplace for active core fixed income investment managers pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, the RFP was issued on August 19, 2019, and closed on October 4, 2019; and,

WHEREAS, on September 8, 2020, the Investment Committee reviewed NEPC’s evaluation report of the 57 proposals and concurred with the staff recommendation to advance eight firms as semi-finalists in the search; and,

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

WHEREAS, on December 9 and 10, 2020, the Investment Committee interviewed the seven finalists recommended by staff and selected five investment managers including Robert W. Baird & Co., Inc. (Baird) for Board consideration for hire and directed staff to propose a core fixed income allocation plan; and,

WHEREAS, on January 12, 2021, the Investment Committee reviewed the core fixed income allocation plan proposed by staff and NEPC and concurred with an approximate \$720 million allocation to Baird; and,

WHEREAS, on January 26, 2021, the Board approved the Investment Committee’s recommendation to award a contract to Baird with a contract size of approximately \$720 million.

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

Company Name: Robert W. Baird & Co., Inc.
Service Provided: Active Core Fixed Income Portfolio Management
Estimated Effective Date: May 1, 2021 through April 30, 2024
Duration: Three years
Benchmark: Bloomberg Barclays U.S. Aggregate Bond Index
Estimated Allocation: \$720 million

**CONTRACT AUTHORIZATION
LOOMIS, SAYLES & COMPANY, L.P.
ACTIVE CORE FIXED INCOME PORTFOLIO MANAGEMENT**

RESOLUTION 210126-C

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal (RFP) process to evaluate the current marketplace for active core fixed income investment managers pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, the RFP was issued on August 19, 2019, and closed on October 4, 2019; and,

WHEREAS, on September 8, 2020, the Investment Committee reviewed NEPC's evaluation report of the 57 proposals and concurred with the staff recommendation to advance eight firms as semi-finalists in the search; and,

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

WHEREAS, on December 9 and 10, 2020, the Investment Committee interviewed the seven finalists recommended by staff and selected five investment managers including Loomis, Sayles & Company, L.P. (Loomis Sayles) for Board consideration for hire and directed staff to propose a core fixed income allocation plan; and,

WHEREAS, on January 12, 2021, the Investment Committee reviewed the core fixed income allocation plan proposed by staff and NEPC and concurred with an approximate \$720 million allocation to Loomis Sayles; and,

WHEREAS, on January 26, 2021, the Board approved the Investment Committee's recommendation to award a contract to Loomis Sayles with a contract size of approximately \$720 million.

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

Company Name: Loomis, Sayles & Company, L.P.
Service Provided: Active Core Fixed Income Portfolio Management
Estimated Effective Date: May 1, 2021 through April 30, 2024
Duration: Three years
Benchmark: Bloomberg Barclays U.S. Aggregate Bond Index
Estimated Allocation: \$720 million

**CONTRACT AUTHORIZATION
GARCIA HAMILTON & ASSOCIATES, L.P.
ACTIVE CORE FIXED INCOME PORTFOLIO MANAGEMENT**

RESOLUTION 210126-C

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal (RFP) process to evaluate the current marketplace for active core fixed income investment managers pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, the RFP was issued on August 19, 2019, and closed on October 4, 2019; and,

WHEREAS, on September 8, 2020, the Investment Committee reviewed NEPC's evaluation report of the 57 proposals and concurred with the staff recommendation to advance eight firms as semi-finalists in the search; and,

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

WHEREAS, on December 9 and 10, 2020, the Investment Committee interviewed the seven finalists recommended by staff and selected five investment managers including Garcia Hamilton & Associates, L.P. (GHA) for Board consideration for hire and directed staff to propose a core fixed income allocation plan; and,

WHEREAS, on January 12, 2021, the Investment Committee reviewed the core fixed income allocation plan proposed by staff and NEPC and concurred with an approximate \$480 million allocation to GHA; and,

WHEREAS, on January 26, 2021, the Board approved the Investment Committee's recommendation to award a contract to GHA with a contract size of approximately \$480 million.

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

Company Name: Garcia Hamilton & Associates, L.P.
Service Provided: Active Core Fixed Income Portfolio Management
Estimated Effective Date: May 1, 2021 through April 30, 2024
Duration: Three years
Benchmark: Bloomberg Barclays U.S. Aggregate Bond Index
Estimated Allocation: \$480 million

**CONTRACT AUTHORIZATION
INCOME RESEARCH & MANAGEMENT
ACTIVE CORE FIXED INCOME PORTFOLIO MANAGEMENT**

RESOLUTION 210126-C

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal (RFP) process to evaluate the current marketplace for active core fixed income investment managers pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, the RFP was issued on August 19, 2019, and closed on October 4, 2019; and,

WHEREAS, on September 8, 2020, the Investment Committee reviewed NEPC's evaluation report of the 57 proposals and concurred with the staff recommendation to advance eight firms as semi-finalists in the search; and,

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

WHEREAS, on December 9 and 10, 2020, the Investment Committee interviewed the seven finalists recommended by staff and selected five investment managers including Income Research & Management (IRM) for Board consideration for hire and directed staff to propose a core fixed income allocation plan; and,

WHEREAS, on January 12, 2021, the Investment Committee reviewed the core fixed income allocation plan proposed by staff and NEPC and concurred with an approximate \$480 million allocation to IRM; and,

WHEREAS, on January 26, 2021, the Board approved the Investment Committee's recommendation to award a contract to IRM with a contract size of approximately \$480 million.

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

Company Name: Income Research & Management

Service Provided: Active Core Fixed Income Portfolio Management
Estimated Effective Date: May 1, 2021 through April 30, 2024
Duration: Three years
Benchmark: Bloomberg Barclays U.S. Aggregate Bond Index
Estimated Allocation: \$480 million

**CONTRACT AUTHORIZATION
J.P. MORGAN ASSET MANAGEMENT
ACTIVE CORE FIXED INCOME PORTFOLIO MANAGEMENT**

RESOLUTION 210126-C

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal (RFP) process to evaluate the current marketplace for active core fixed income investment managers pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, the RFP was issued on August 19, 2019, and closed on October 4, 2019; and,

WHEREAS, on September 8, 2020, the Investment Committee reviewed NEPC's evaluation report of the 57 proposals and concurred with the staff recommendation to advance eight firms as semi-finalists in the search; and,

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

WHEREAS, on December 9 and 10, 2020, the Investment Committee interviewed the seven finalists recommended by staff and selected five investment managers including J.P. Morgan Asset Management (JPMAM) for Board consideration for hire and directed staff to propose a core fixed income allocation plan; and,

WHEREAS, on January 12, 2021, the Investment Committee reviewed the core fixed income allocation plan proposed by staff and NEPC and concurred with an approximate \$480 million allocation to JPMAM; and,

WHEREAS, on January 26, 2021, the Board approved the Investment Committee's recommendation to award a contract to JPMAM with a contract size of approximately \$480 million.

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

Company Name: J.P. Morgan Asset Management

<u>Service Provided:</u>	Active Core Fixed Income Portfolio Management
<u>Estimated Effective Date:</u>	May 1, 2021 through April 30, 2024
<u>Duration:</u>	Three years
<u>Benchmark:</u>	Bloomberg Barclays U.S. Aggregate Bond Index
<u>Estimated Allocation:</u>	\$480 million

Which motion was seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Serrano, Wilkinson, Vice President Sohn, and President Ruiz -6; Nays, None.

- F. **CONSIDERATION OF INVESTMENT COMMITTEE RECOMMENDATION REGARDING DISCUSSION OF INVESTMENT POLICY MANUAL REVIEW AND POSSIBLE BOARD ACTION – Rod June, Chief Investment Officer, Wilkin Ly, Investment Officer III, and Clark Hoover, Investment Officer I, presented and discussed this item with the Board for 10 minutes. Commissioner Elizabeth Lee moved approval, seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Serrano, Wilkinson, Vice President Sohn, and President Ruiz -6; Nays, None.**

VIII

LEGAL/LITIGATION

- A. **AUTHORIZATION TO ISSUE A REQUEST FOR PROPOSALS FOR OUTSIDE REAL ESTATE AND INVESTMENTS COUNSEL, AMEND CURRENT CONTRACT WITH NOSSAMAN LLP TO EXTEND TERM BY ONE YEAR, AND POSSIBLE BOARD ACTION – Commissioner Wilkinson moved approval, seconded by Commissioner Elizabeth Lee, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Serrano, Wilkinson, Vice President Sohn, and President Ruiz -6; Nays, None.**

IX

DISABILITY RETIREMENT APPLICATION(S)

- A. **CONSIDER THE DISABILITY RETIREMENT APPLICATION OF MARIA CRUZ AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval, seconded by Commissioner Elizabeth Lee, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Serrano, Wilkinson, Vice President Sohn, and President Ruiz -6; Nays, None.**

President Ruiz recessed the Regular Meeting at 12:26 p.m. to convene in Closed Session discussion.

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

President Ruiz reconvened the Regular Meeting at 12:31 p.m. and announced that the Board unanimously approved the Disability Retirement Application of Shahnam Shahzeidi.

X

OTHER BUSINESS – There was no other business.

XI

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, February 9, 2021, 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 at 12:33 p.m. in honor of the 421,000 Americans who have lost their lives to COVID-19.



Cynthia M. Ruiz
President



Neil M. Guglielmo
Manager-Secretary