

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

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health or safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Board of Administration's September 27, 2022 meeting will be conducted via telephone and/or videoconferencing.

September 27, 2022

10:03 a.m.

PRESENT via Videoconferencing: President: Nilza R. Serrano
Vice President: (left at 12:03 p.m.) Elizabeth Lee
Commissioners: Annie Chao
(lost connection at 1:11 p.m.) Thuy Huynh
Janna Sidley
Sung Won Sohn
Michael R. Wilkinson
Legal Counselor: Anya Freedman
Joshua Geller
Manager-Secretary: Neil M. Guglielmo
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 Serrano asked if any persons wanted to make a general public comment to which there was no response.

II

BOARD PRESIDENT VERBAL REPORT – President Serrano reminded everyone about the heat wave and cautioned about energy use during the heat wave.

III

GENERAL MANAGER VERBAL REPORT

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

- New City guidance on masking in City facilities effective October 1, 2022
- LACERS renewed its General Liability Insurance Policy with Alliant
- Staff training on Contracting
- 977 N. Broadway Parking Survey
- Update on LACERS HQ
- Update on Retirement Services Division
- Update on Health Benefits Administration Division including Open Enrollment webinar events
- Update on Members Services Center including stats, Social Media stats, Upcoming Events, and Wellness Update

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

- October 25, 2022 – Member Services Team Year-End Report & Spotlight

IV

RECEIVE AND FILE ITEMS

A. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR AUGUST 2022 – This report was received by the Board and filed.

V

COMMITTEE REPORT(S)

A. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT FOR THE MEETING ON SEPTEMBER 27, 2022 – Commissioner Wilkinson stated the Committee was presented and approved the 2021 Anthem and Delta Dental Year-End Accounting and were provided with a operational verbal report on the Health, Wellness, and Buyback.

VI

CONSENT AGENDA

Commissioner Sidley moved approval of Consent Agenda Item VI-A, seconded by Vice President Lee, and adopted by the following vote: Ayes, Commissioners Chao, Huynh, Sidley, Sohn, Wilkinson, Vice President Lee, and President Serrano -7; Nays, None.

A. APPROVAL OF MINUTES FOR THE REGULAR MEETING OF AUGUST 23, 2022 AND POSSIBLE BOARD ACTON

VII

BOARD/DEPARTMENT ADMINISTRATION

- A. ASSUMPTIONS FOR THE JUNE 30, 2022 RETIREE HEALTH ACTUARIAL VALUATION AND POSSIBLE BOARD ACTION – Paul Angelo, Actuary, and Andy Yeung, Associate Actuary, with Segal Consulting, presented and discussed this item with the Board for 15 minutes. Commissioner Wilkinson moved approval, seconded by Vice President Lee, and adopted by the following vote: Ayes, Commissioners Chao, Huynh, Sidley, Sohn, Wilkinson, Vice President Lee, and President Serrano -7; Nays, None.
- B. 977 N. BROADWAY BUILDING PROJECT FISCAL YEAR 2022-23 SUPPLEMENTAL CAPITAL AND OPERATING BUDGET REQUEST AND POSSIBLE BOARD ACTION – Isaias Cantu, Chief Management Analyst, presented and discussed this item with the Board for 20 minutes. Vice President Lee moved approval of the following Resolution, as amended to add \$100,000 for contingencies, for a total Capital Expense Budget appropriation of \$1,020,242:

**977 N. BROADWAY BUILDING PROJECT
FISCAL YEAR 2022-23 SUPPLEMENTAL
CAPITAL AND OPERATING BUDGET REQUEST**

RESOLUTION 220927-A

WHEREAS, on October 23, 2019, LACERS closed escrow on a purchase of an office building at 977 North Broadway (“Broadway Building”), Los Angeles California at the final negotiated purchase price of \$33,750,000;

WHEREAS, on June 8, 2021, the Board adopted the 977 N. Broadway Project’s Capital Expense Budget of \$19,707,987, for the purpose of completing tenant and owner improvements prior to move-in and LACERS occupying the building by December 2022;

WHEREAS, on November 9, 2021, the Board approved the reallocation of a net \$72,310.43 from the HQ Project in the Capital Budget to the Administration Budget including a transfer of \$114,497.43 from Capital Budget to the Administration Budget for the purchase of server equipment and a concurrent transfer of \$42,187 from Administration Budget to the Capital Budget to pay for moving services adjusting the Capital Budget to \$19,635,676.57;

WHEREAS, on March 8, 2022, the Board approved the reallocation of \$677,537.08 from HQ Project in the Capital Budget to the Administrative Budget including \$628,583.44 in funds for network infrastructure equipment and \$48,953.64 to procure asset tracking technologies for the Broadway Building subsequently adjusting the Capital Budget to \$18,958,139.49;

WHEREAS, the COVID-19 pandemic had direct and indirect impacts on the project including direct impacts such as supply chain disruptions, increases in building supply costs due to scarcity of key materials globally, and increases in labor costs due to the human impact of the COVID-19 pandemic and indirect impacts such as the prolonging of the construction schedule, and the need to extend contracts with project partners beyond the original construction schedule including a 51-week contract extension for HOK’s architectural services due to a prolonged programming/design process, and a 24-week contract extension for ARC Engineering’s design services due to the tenant improvement work

requiring structural evaluation which resulted in increases in fees for the project in the amount of \$374,991;

WHEREAS, issues were identified during the course of construction including the building's HVAC system, mechanical equipment, plumbing components, and concrete cracks in the garage that were they to be repaired during the current construction would represent long-term cost savings and avoid disrupting LACERS' work or displacing staff once 977 was occupied which cost \$208,266 to complete;

WHEREAS, LACERS implemented limited expansions in the scope of the project including the installation of security enhancements at the front and rear of 977's breezeway to secure the central core of the building and rear patio, adjustments to the 2nd floor design assumptions, and work on the TeleData and security equipment which will cost \$336,985 once complete;

WHEREAS, LACERS adjusted the scope of work to be performed, deferred non-priority scope work, and reallocated non-committed funds from contracted work that was completed to the contingency funds in order to supplement those funds;

WHEREAS, prior to the approval of the work, LACERS had all expenses reviewed by subject-matter experts, and the scope, materials, and labor rates were deemed reasonable and within market prices;

WHEREAS, LACERS maintains that the expenditures performed were reasonable and consistent with LACERS' objectives for the management of the asset;

WHEREAS, LACERS currently relies on the LA Times Property Management company for security staff to perform minimal screening of Board meeting attendees at the LA Times Building;

WHEREAS, in permanently transitioning its operations and functions to 977, LACERS must ensure adequate coverage to support the normal security needs of the building including the responsibility of performing Board meeting security screening,

WHEREAS, LACERS currently employs the services of a security guard at the building and the role of this guard is more Member and building oriented including helping to direct Members and visitors, observing any visitors in the breezeway, overseeing the building surveillance cameras and emergency notification buttons, and responding to security requests within the building;

WHEREAS, LACERS recommends contracting an additional security guard to be present at all Board Meetings for the second half of the Fiscal Year 2022-23 after moving to 977 N. Broadway at the cost of \$5,000;

WHEREAS, only 75% of the budgeted work has been invoiced and LACERS anticipates that the remaining \$90,530.88 in contingency funds will be required to cover conventional cost increases related to the significant ongoing work at the HQ Building including the tenant improvements to the 1st-Floor Boardroom and Assembly Area, repair and painting of the garage, and any additional repairs that arise during this work;

NOW, THEREFORE, BE IT RESOLVED, that the Board:

1. Approve the appropriation of \$920,242 to the Capital Expense Budget in Fiscal Year 2022-23 for expenses related to the Broadway Building Annual Plan;

2. Consider enhanced security services during Board meetings at the 977 North Broadway Building headquarters for the second half of Fiscal Year 2022-23 and approve the appropriation of \$5,000 by increasing Appropriation 163040 – Contractual Service; and,
3. Authorize the General Manager to correct any clerical or typographical errors in this document.

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

C. LACERS 2021 ANTHEM AND DELTA DENTAL YEAR-END ACCOUNTING AND POSSIBLE BOARD ACTION – Karen Freire, Chief Benefits Analyst, and James Kawashima, Senior Benefits Analyst, presented and discussed this item with the Board for 5 minutes. Commissioner Wilkinson moved approval of the following Resolution:

ANTHEM BLUE CROSS 2021 YEAR- END ACCOUNTING

RESOLUTION 220927-B

WHEREAS, the Los Angeles Administrative Code establishes that the Los Angeles City Employees' Retirement System (LACERS) provide health and welfare programs for retired employees and their eligible dependents;

WHEREAS, LACERS has participating contracts with Anthem Blue Cross (Anthem), which means that at the end of each plan year, an accounting is performed to determine total premium funds versus total claims costs and administrative expenses;

WHEREAS, if the year-end accounting results in a deficit of premium funds, LACERS must pay Anthem the shortfall; if the accounting results in a surplus, those funds may be returned to LACERS;

WHEREAS, the 2021 Anthem year-end accounting shows an adjusted premium surplus of \$2,271,360;

WHEREAS, the appropriate amount of surplus premium funds attributable to medical subsidies shall be deposited back to the account from which the subsidy dollars were originally paid, which currently is the LACERS 401(h) account, and the appropriate amount of surplus premium funds attributable to Member monthly allowance deductions shall be deposited in the 115 Trust account;

WHEREAS, on September 27, 2022, the Benefits Administration Committee approved forwarding a recommendation to transfer the premium surplus to LACERS;

WHEREAS, the 2021 premium surplus of \$2,271,360 is being held by Anthem in the Claims Stabilization Fund and will transfer \$1,947,953 to LACERS' 401(h) account and \$323,407 to LACERS' 115 Trust upon approval of the 2021 year-end accounting;

NOW, THEREFORE, BE IT RESOLVED, that the Board to approve the Anthem Blue Cross and the self-funded Delta Dental PPO 2021 Year-End Accountings and the transfer of the 2021 Anthem surplus premium funds amount of \$1,947,953 to LACERS' 401(h) account and \$323,407 to LACERS' 115 Trust; and authorize the General Manager to adjust the amounts, based on updates of information received after this report.

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

VIII

INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT INCLUDING DISCUSSION ON THE PORTFOLIO EXPOSURE TO GLOBAL EVENTS – Rod June, Chief Investment Officer, reported on the portfolio value of \$20.22 billion as of September 26, 2022. Mr. June discussed the following items:

- Continued discussion and consideration of the Unique Investment Opportunities Policy on the agenda
- Staff continues to work on a new graduation provision for the Emerging Investment Manager Policy
- Transition Manager Search due diligence has been completed. The Investment Committee will conduct interviews of finalists in October or November
- Board President Serrano and Rod June, Chief Investment Officer, attended the Investment Diversity Advisory Council meeting held in Atlanta on September 14, 2022
- Emerging Manager Symposium to be held on November 16, 2022 and will be a virtual event
- Mr. June discussed on-going and proposed research projects by the Kroner Center for Financial Research (formally known as the Pacific Center for Asset Management) including ESG investing, value creation of private equity investing, optimal target allocation to emerging managers, and alternative approaches to public pension plan management
- Ellen Chen, Investment Officer II, attending ESG Summit West Conference in Sacramento
- AAAIM Conference this week; Robert F Kennedy Compass Conference next week; GCM Grosvenor Emerging Manager Conference October 12-13, 2022
- Wilkin Ly, Investment Officer III and Director of Private Market Assets, completed his MBA at Boston University this summer
- Future Agenda Items: Finalist Firm Presentation(s) of the Private Credit Consultant Search, Education on Infrastructure Investments, Securities Lending Program Modifications, Contract with Aksia CA LLC and Key Person Provision

Mr. June shared that the current Russian exposure for LACERS is 6.1 basis points, about \$20.467 million.

Item VIII-D was taken out of order.

Vice President Lee left the Regular Meeting at 12:03 p.m.

D. CONTINUED DISCUSSION OF UNIQUE INVESTMENT OPPORTUNITIES POLICY AND POSSIBLE BOARD ACTION – Bryan Fujita, Investment Officer III, and James Wang, Investment Officer I, presented and discussed this item with the Board for 45 minutes. Commissioner Sidley moved approval, seconded by Commissioner Sohn, and adopted by the following vote: Ayes, Commissioners Huynh, Sidley, Sohn, and President Serrano -4; Nays, Commissioners Chao and Wilkinson -2.

- B. PRESENTATION BY NEPC, LLC OF THE PORTFOLIO PERFORMANCE REVIEW FOR THE QUARTER ENDING JUNE 30, 2022 – Carolyn Smith, Partner, with NEPC, LLC, presented and discussed this item with the Board for 35 minutes.

Commissioner Sidley lost connection and disconnected from the Regular Meeting at 1:11 p.m.

- C. PRESENTATION BY AKSIA CA LLC OF THE PRIVATE EQUITY PORTFOLIO PERFORMANCE REVIEW FOR THE PERIOD ENDING MARCH 31, 2022 – Trevor Jackson, Managing Director, and Jeff Goldberger, Managing Director, with Aksia CA LLC, presented and discussed this item with the Board for 45 minutes.

IX

OTHER BUSINESS – There was no other business.

X

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, October 11, 2022, at 10:00 a.m. at LACERS, 202 W. 1st Street, Suite 500, 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.

XI

ADJOURNMENT – There being no further business before the Board, President Serrano adjourned the Meeting at 1:27 p.m.



Neil M. Guglielmo
Manager-Secretary



Nilza R. Serrano
President