LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Board of Administration Agenda

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REGULAR MEETING

TUESDAY, FEBRUARY 25, 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).

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at (213) 473-7169.

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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 Ghoukassian

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.

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I. PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION

II. APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF FEBRUARY 11, 2020 AND POSSIBLE BOARD ACTION

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IV. GENERAL MANAGER VERBAL REPORT

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B. LACERS WEBSITE DEMO

C. CONTINUANCE METHODOLOGY CHANGE AND LACERS INFO BULLETIN

D. UPCOMING AGENDA ITEMS

E. RECOGNITION OF SERVICE FOR LUCY ARTINIAN

V. RECEIVE AND FILE ITEMS

A. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR JANUARY 2020

B. OPEN ENROLLMENT CLOSEOUT REPORT

VI. CONSENT AGENDA

A. TRAVEL AUTHORITY – COMMISSIONER NILZA SERRANO; HARVARD KENNEDY SCHOOL EXECUTIVE EDUCATION – LEADERSHIP DECISION MAKING; OPTIMIZING ORGANIZATIONAL PERFORMANCE PROGRAM, CAMBRIDGE, MASSACHUSETTS; JUNE 7-12, 2020 AND POSSIBLE BOARD ACTION

VII. BOARD/DEPARTMENT ADMINISTRATION

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B. REQUEST FOR PROPOSALS FOR EXTERNAL AUDIT SERVICES AND POSSIBLE BOARD ACTION

VIII. COMMITTEE REPORT(S)

A. INVESTMENT COMMITTEE VERBAL REPORT ON THE REGULAR MEETING OF FEBRUARY 11, 2020

IX. INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT

B. INVESTMENT MANAGER CONTRACT WITH AEGON U.S.A. INVESTMENT MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. HIGH YIELD FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION

C. CONSENT OF ASSIGNMENT OF TORREYCOVE CAPITAL PARTNERS LLC CONTRACT AND POSSIBLE BOARD ACTION

D. TRAVEL AUTHORITY – EDUARDO PARK, INVESTMENT OFFICER II; RBC GLOBAL ASSET MANAGEMENT, ASHMORE INVESTMENT MANAGEMENT, AND LAZARD ASSET MANAGEMENT, LLC, LONDON, UK; MARCH 9-11, 2020, AND POSSIBLE BOARD ACTION

E. NOTIFICATION OF COMMITMENT OF UP TO $40 MILLION IN KPS SPECIAL SITUATIONS FUND V, LP

F. NOTIFICATION OF COMMITMENT OF UP TO $10 MILLION IN KPS SPECIAL SITUATIONS MID-CAP FUND, LP

G. NOTIFICATION OF COMMITMENT OF UP TO $30 MILLION IN CLEARLAKE CAPITAL PARTNERS VI, LP

H. CORRECTION OF NOTIFICATION OF COMMITMENT OF UP TO €31.591 MILLION IN NREP NORDIC STRATEGIES FUND IV, LP SCSP AND POSSIBLE BOARD ACTION

X. OTHER BUSINESS

XI. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, March 10, 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

February 11, 2020

10:00 a.m.

Agenda of: Feb. 25, 2020

Item No: II

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

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

I

PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION – President Ruiz asked if there were any persons who wished to speak on matters within the Board's jurisdiction, to which there was no response and no public comment cards were received.

II

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

III

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

IV

GENERAL MANAGER VERBAL REPORT

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

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

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

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

V

RECEIVE AND FILE

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

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

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

VI

COMMITTEE REPORT(S)

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

VII

DEPARTMENT/BOARD ADMINISTRATION

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

VIII

INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value, $19.08 Billion as of the close of markets, February 10, 2019. Mr. June discussed the following items:

- The acquisition of Almanac Realty Securities, VI, a LACERS real estate investment Manager, by Neuberger Berman
- Conducting due diligence of Askia
- Staff meeting with Chae Hong of the Townsend Group
- Notice of significant organizational change at Alcentra
- Eduardo Park, Investment Officer II recipient of the 2020 John W. Koza Leadership Fellowship

B. FINALIST FIRMS OF THE HIGH YIELD FIXED INCOME AND HYBRID HIGH YIELD FIXED INCOME/BANK LOAN INVESTMENT MANAGER SEARCH AND POSSIBLE BOARD ACTION – Rod June, Chief Investment Officer and Robert King, Investment Officer I, presented this item to the Board and discussed the report for three minutes, Commissioner Chao moved approval of the following Resolutions:

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

RESOLUTION 200211-A

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal for the High Yield Fixed Income and Hybrid High Yield Fixed Income/U.S. Floating Rate Bank Loan Mandate Search pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, performed an evaluation of the 44 proposals submitted; and

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

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

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

WHEREAS, on February 11, 2020, the Board approved the Investment Committee's recommendation to award a contract to DDJ Capital Management, LLC.

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

Company Name:	DDJ Capital Management, LLC
Service Provided:	Hybrid High Yield Fixed Income/U.S. Floating Rate Bank Loan Portfolio Management
Estimated Effective Date:	May 1, 2020 through April 30, 2023
Duration:	Three years
Benchmark:	50% Bloomberg Barclays US High Yield 2% Capped Index and 50% Credit Suisse Leveraged Loan Index
Estimated Allocation:	$235 million

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

RESOLUTION 200211-A

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal for the High Yield Fixed Income and Hybrid High Yield Fixed Income/U.S. Floating Rate Bank Loan Mandate Search pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, performed an evaluation of the 44 proposals submitted; and

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

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

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

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

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

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

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

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

IX

DIVISION SPOTLIGHT

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

X

OTHER BUSINESS – There was no other business.

XI

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

XII

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

Cynthia M. Ruiz
President

Lita Payne
Manager-Secretary

Agenda of:	FEB. 25, 2020
Item No:	V-A

MONTHLY REPORT ON SEMINARS AND CONFERENCES
ATTENDED BY BOARD MEMBERS ON BEHALF OF LACERS
(FOR THE MONTH OF JANUARY 2020)

In accordance with Section V.H.2 of the approved Board Education and Travel Policy, Board Members are required to report to the Board, on a monthly basis at the last Board meeting of each month, seminars and conferences they attended as a LACERS representative or in the capacity of a LACERS Board Member which are either complimentary (no cost involved) or with expenses fully covered by the Board Member. This monthly report shall include all seminars and conferences attended during the 4-week period preceding the Board meeting wherein the report is to be presented.

BOARD MEMBER:

President Cynthia M. Ruiz
Vice President Michael R. Wilkinson

Commissioner Annie Chao
Commissioner Elizabeth Lee
Commissioner Sandra Lee
Commissioner Nilza R. Serrano
Commissioner Sung Won Sohn

DATE(S) OF EVENT	SEMINAR / CONFERENCE TITLE	EVENT SPONSOR (ORGANIZATION)	LOCATION (CITY, STATE)
	NOTHING TO REPORT		

LACERS

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION
From: Lita Payne, Executive Officer Lita Payne

MEETING: FEBRUARY 25, 2020
ITEM: V - B

SUBJECT: **2020 OPEN ENROLLMENT CLOSEOUT REPORT**

ACTION: ☐ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☒

Recommendation

That the Board receive and file this report.

Executive Summary

For informational purposes, the Health Benefits Administration and Communications Division provides the Board of Administration a summary of the health plan enrollment activity stemming from LACERS' annual Open Enrollment.

Discussion

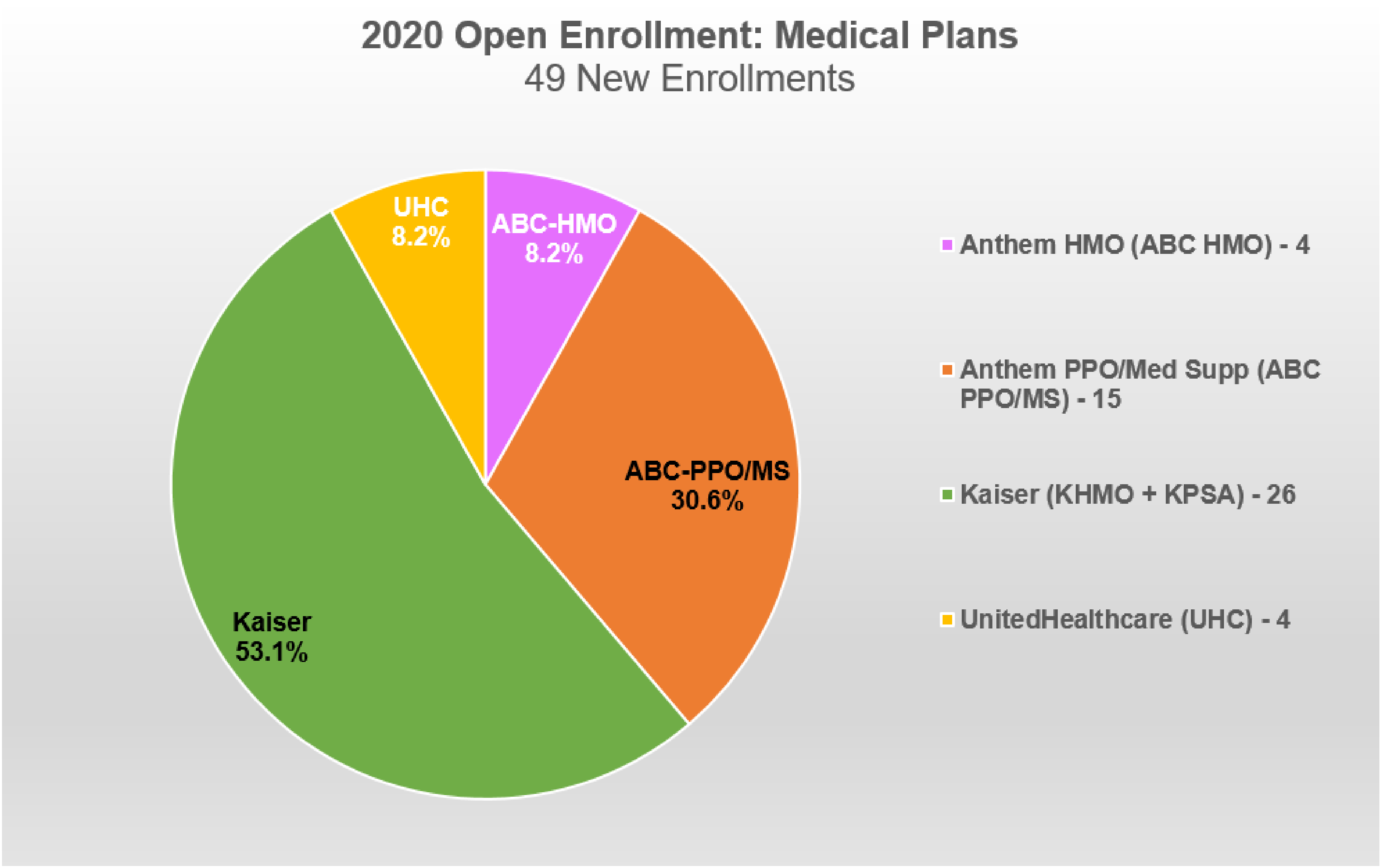
LACERS conducts Open Enrollment each year, usually from October 15 to November 15. Open Enrollment provides Members the opportunity to enroll in, change, and/or add dependents to LACERS health plans without the need for a qualifying event. Staff analyzed the 2020 Open Enrollment activity and prepared graphs detailing the results. These results are found in the attached 2020 Open Enrollment Closeout Report Handouts. Of note among these results are:

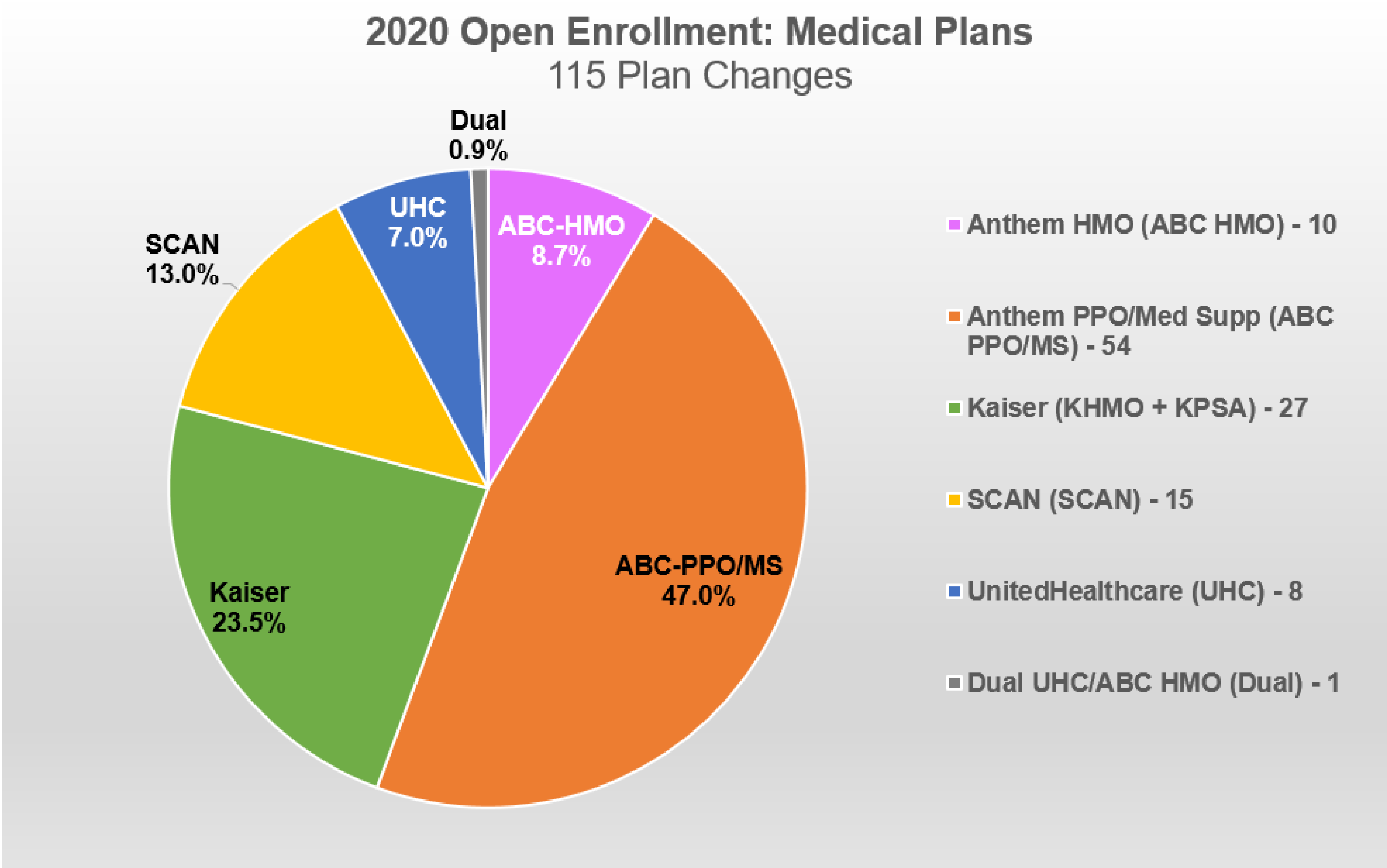
- 129 new enrollments (49 medical, 80 dental), 256 plan changes (115 medical, 141 dental), and 118 Members added dependents (49 medical, 69 dental)
- 53% of new enrollments went into a Kaiser plan
- 47% of those who changed plans migrated into the Anthem PPO or Medicare Supplement plans (largest single migration = UHC into Anthem)
- While there were no new enrollments into the SCAN plan, 13% of those who changed plans went into SCAN
- The Delta PPO represents 78% of all dental enrollments, but in Open Enrollment, 85% enrolled in the Delta PPO

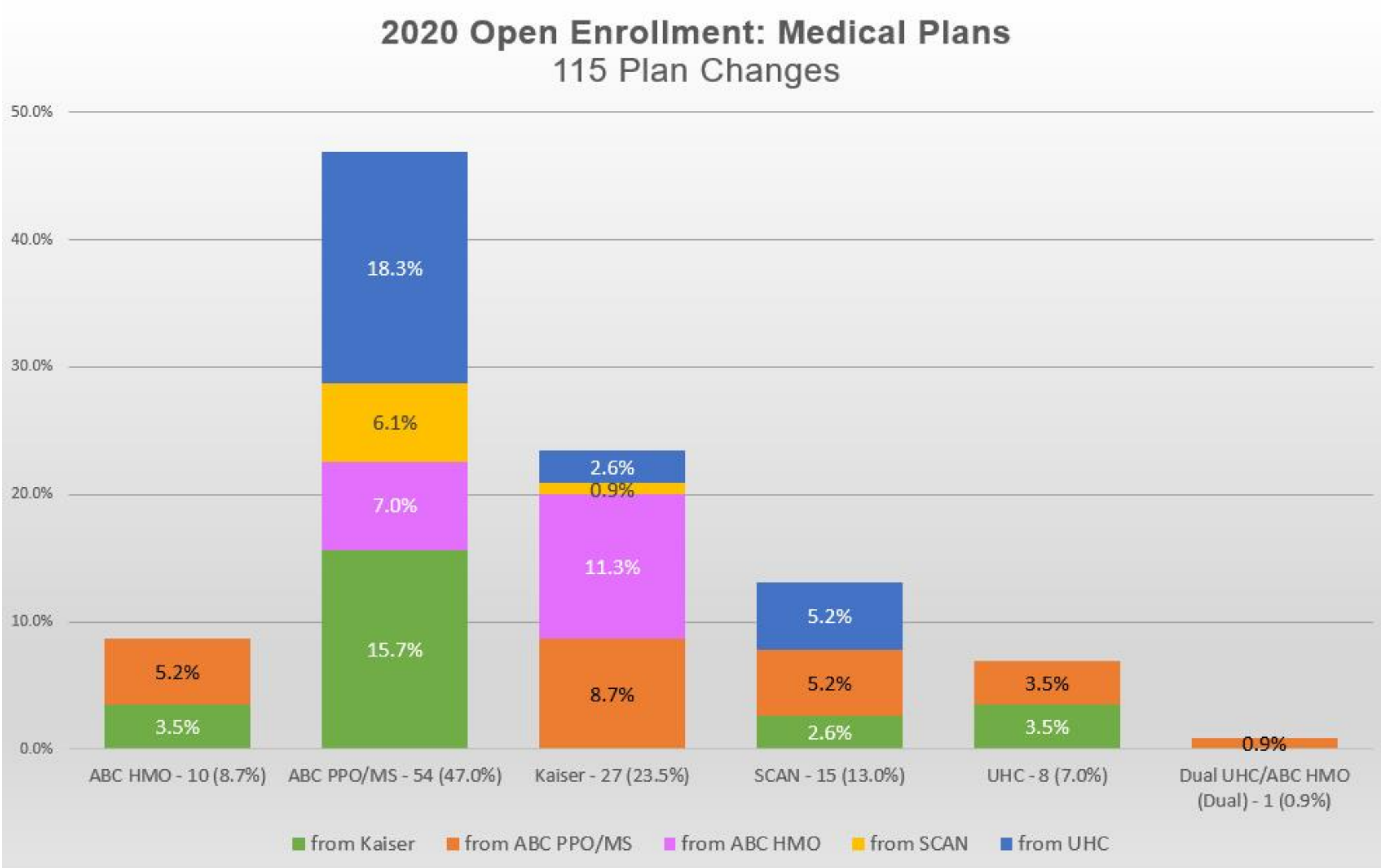
Prepared By: Ada Lok, Management Analyst, Health Benefits Administration and Communications Division

LP/AR/al

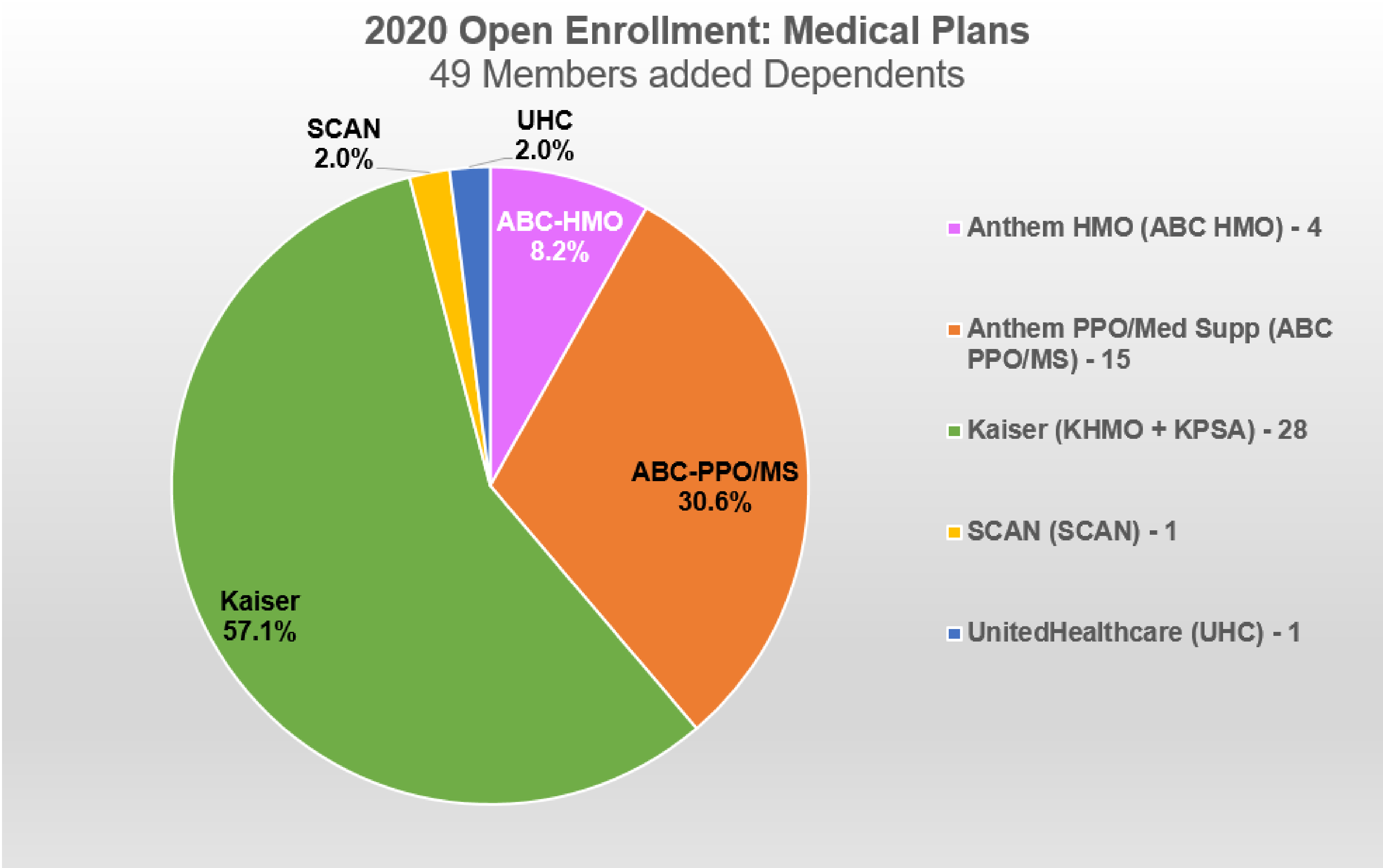
Attachment: 2020 Open Enrollment Closeout Report Handouts

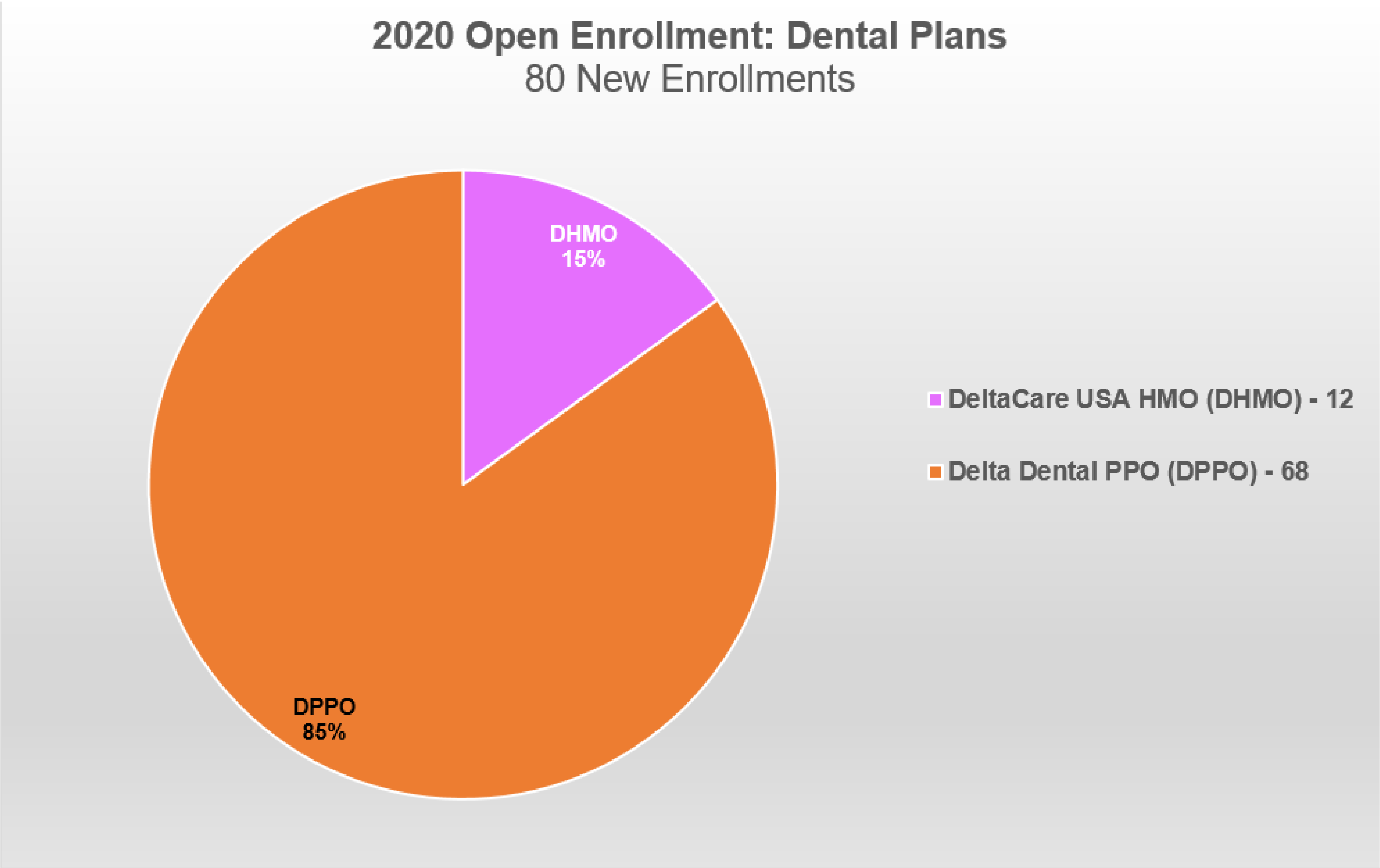

2020 Open Enrollment: Medical Plans
49 New Enrollments
UHC
8.2%
ABC-HMO
8.2%
ABC-PPO/MS
30.6%
Kaiser
53.1%
Anthem HMO (ABC HMO) - 4
Anthem PPO/Med Supp (ABC PPO/MS) - 15
Kaiser (KHMO + KPSA) - 26
UnitedHealthcare (UHC) - 4

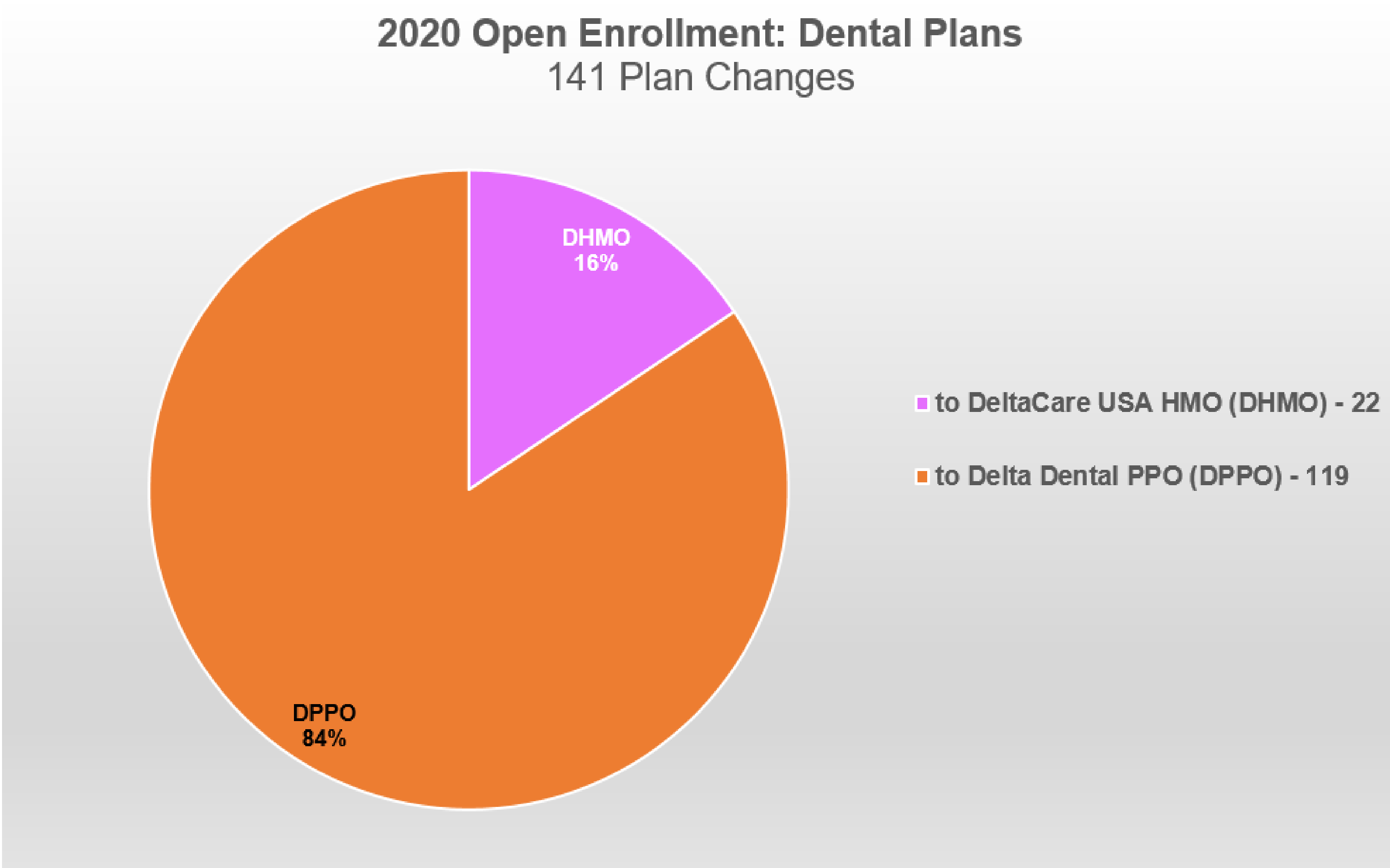

2020 Open Enrollment: Medical Plans
115 Plan Changes
Dual
0.9%
UHC
7.0%
ABC-HMO
8.7%
SCAN
13.0%
Kaiser
23.5%
ABC-PPO/MS
47.0%
Anthem HMO (ABC HMO) - 10
Anthem PPO/Med Supp (ABC PPO/MS) - 54
Kaiser (KHMO + KPSA) - 27
SCAN (SCAN) - 15
UnitedHealthcare (UHC) - 8
Dual UHC/ABC HMO (Dual) - 1

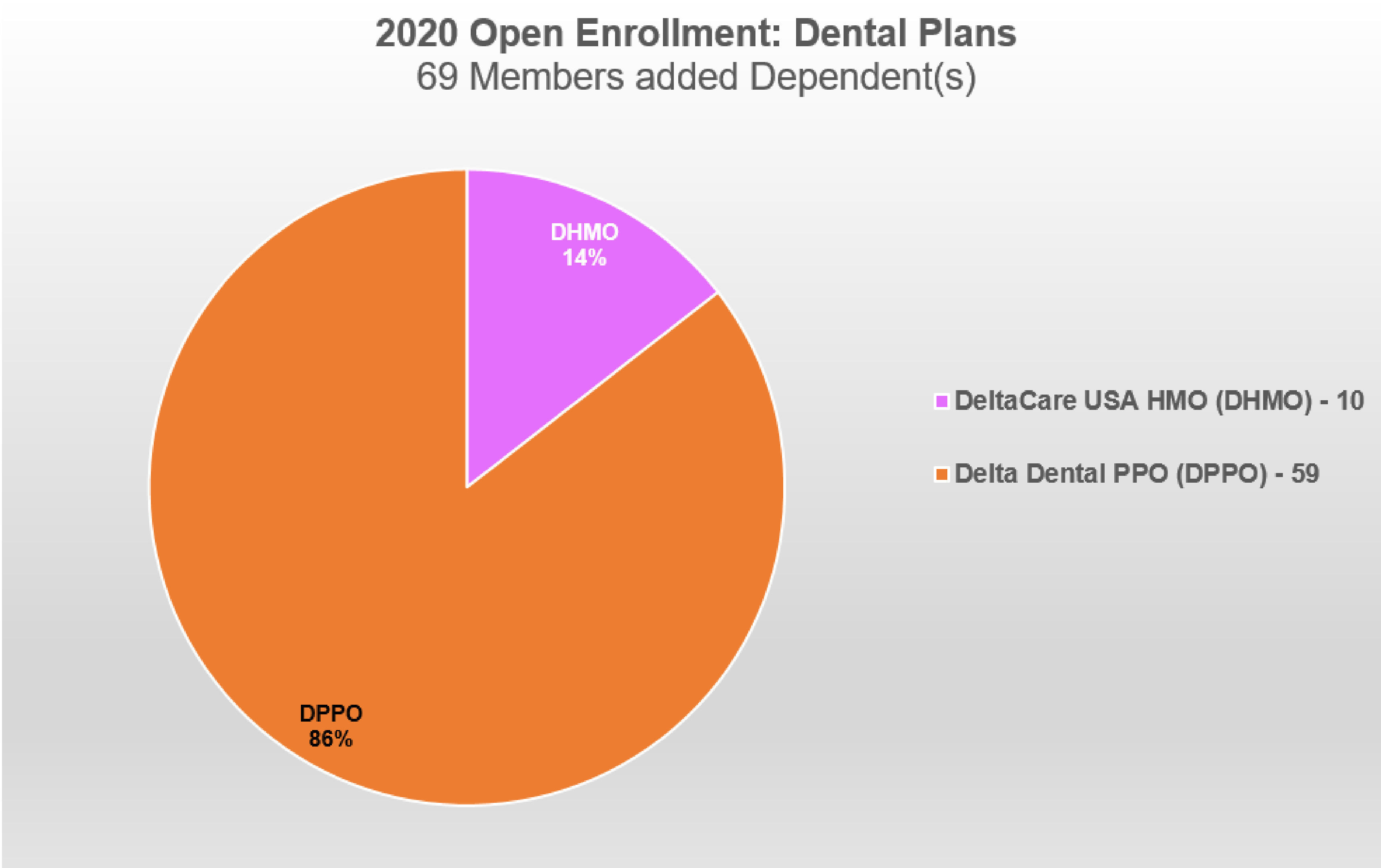


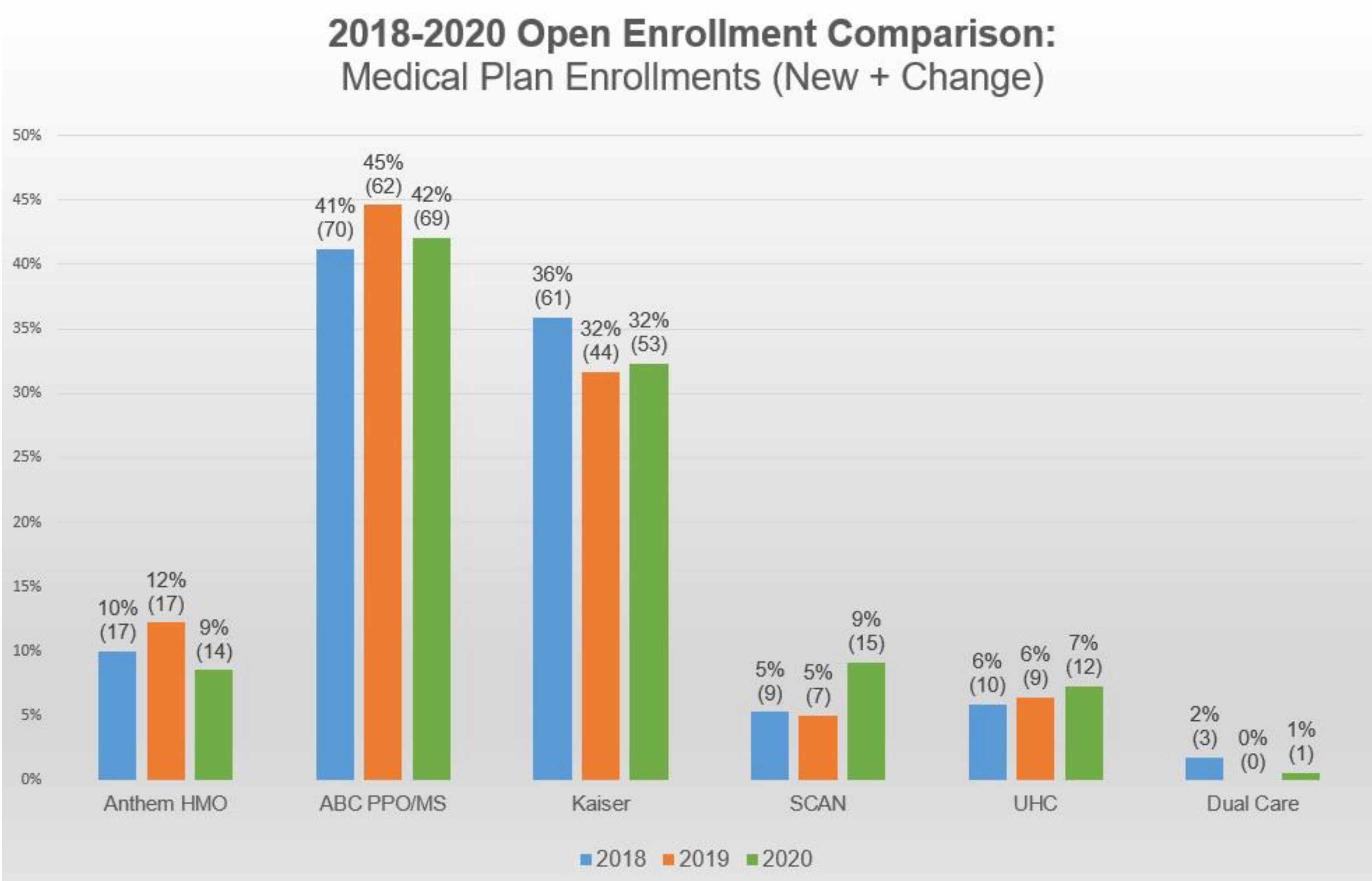
2020 Open Enrollment: Medical Plans
115 Plan Changes
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
18.3%
6.1%
7.0%
15.7%
2.6%
0.9%
11.3%
8.7%
5.2%
3.5%
5.2%
5.2%
2.6%
3.5%
3.5%
0.9%
ABC HMO - 10 (8.7%)
ABC PPO/MS - 54 (47.0%)
Kaiser - 27 (23.5%)
SCAN - 15 (13.0%)
UHC - 8 (7.0%)
Dual UHC/ABC HMO (Dual) - 1 (0.9%)
from Kaiser
from ABC PPO/MS
from ABC HMO
from SCAN
from UHC


2020 Open Enrollment: Medical Plans
49 Members added Dependents
SCAN 2.0%
UHC 2.0%
ABC-HMO 8.2%
ABC-PPO/MS 30.6%
Kaiser 57.1%
Anthem HMO (ABC HMO) - 4
Anthem PPO/Med Supp (ABC PPO/MS) - 15
Kaiser (KHMO + KPSA) - 28
SCAN (SCAN) - 1
UnitedHealthcare (UHC) - 1

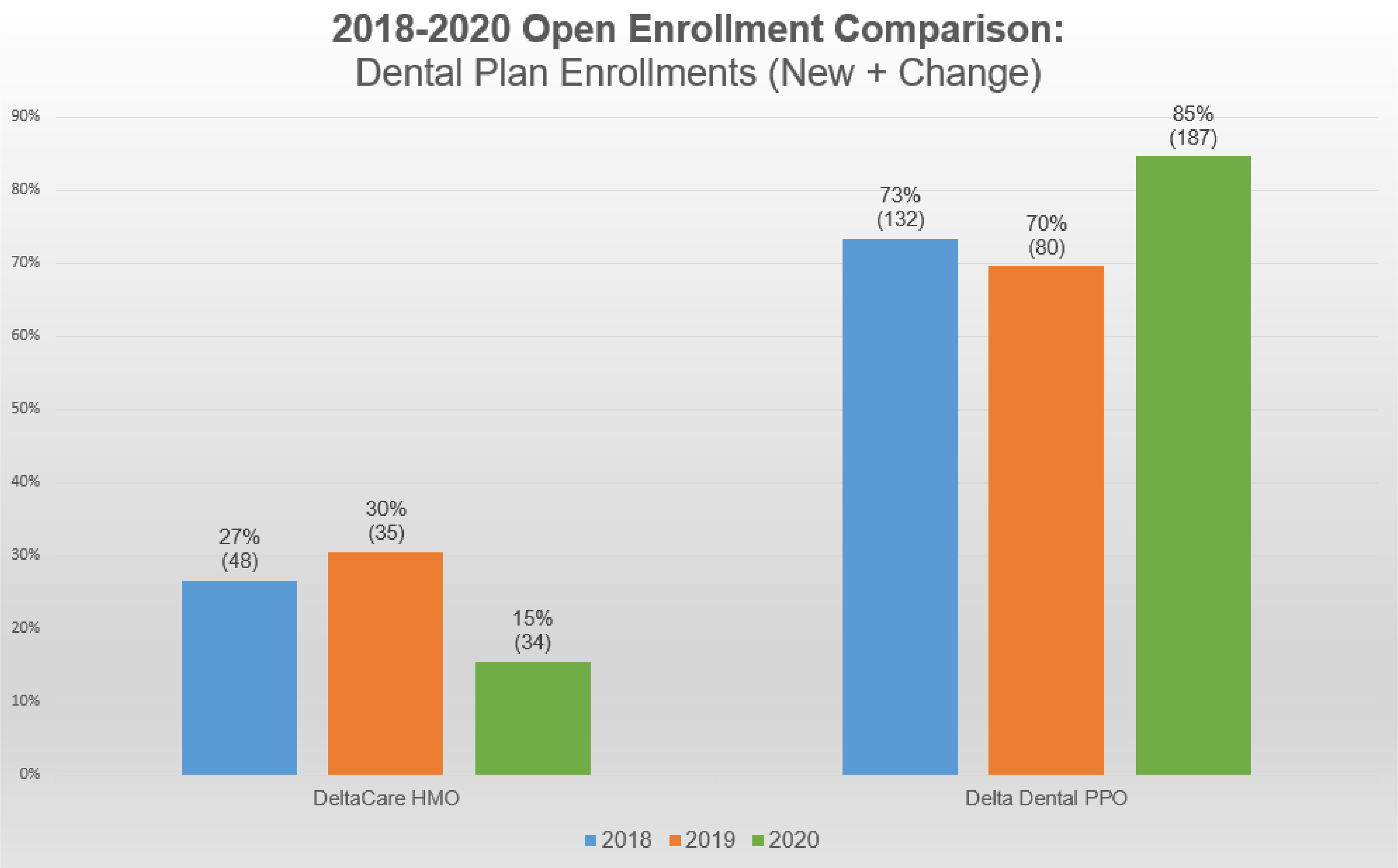

2020 Open Enrollment: Dental Plans
80 New Enrollments
DHMO
15%
DPPO
85%
DeltaCare USA HMO (DHMO) - 12
Delta Dental PPO (DPPO) - 68

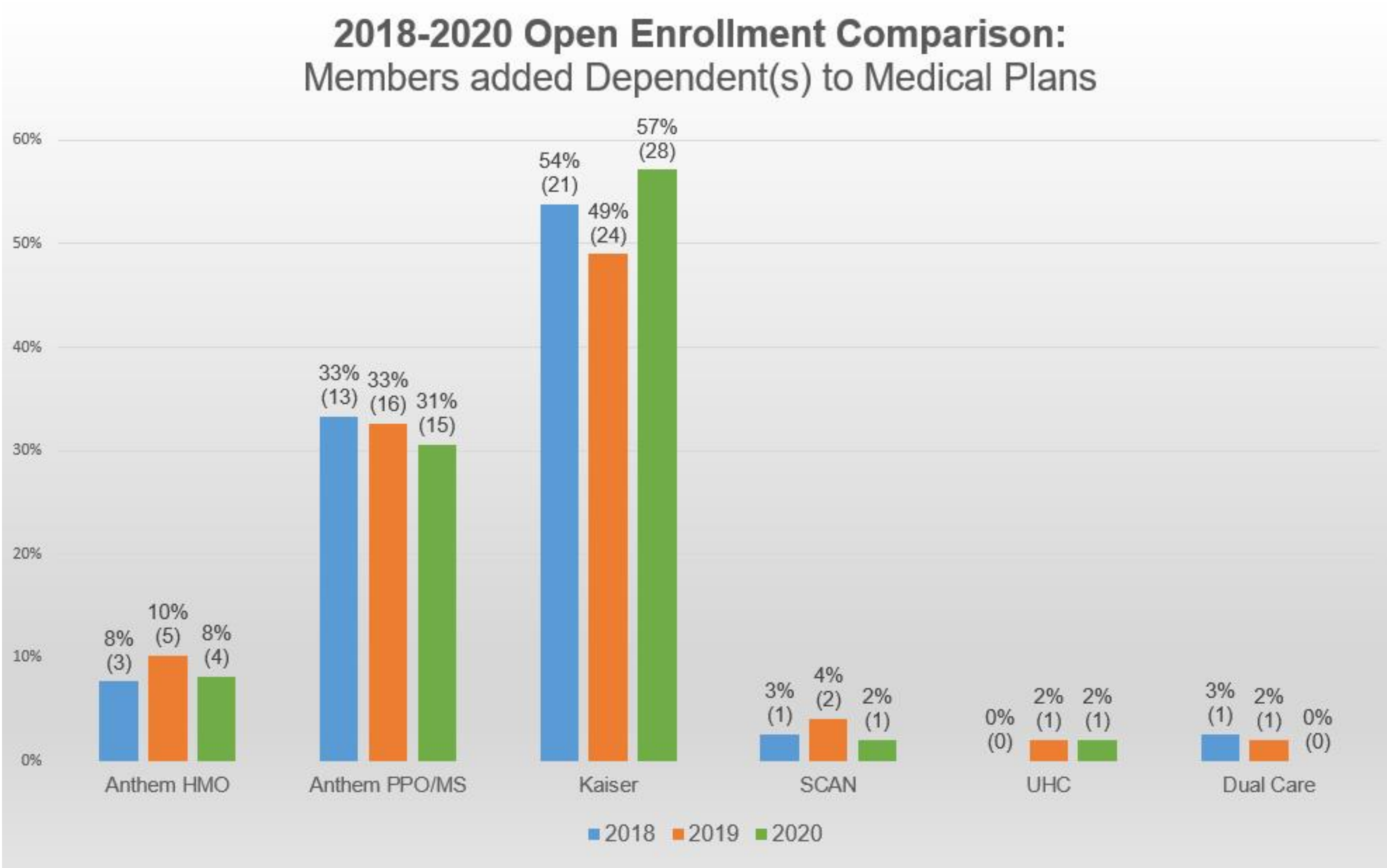

2020 Open Enrollment: Dental Plans
141 Plan Changes
DHMO
16%
DPPO
84%
to DeltaCare USA HMO (DHMO) - 22
to Delta Dental PPO (DPPO) - 119

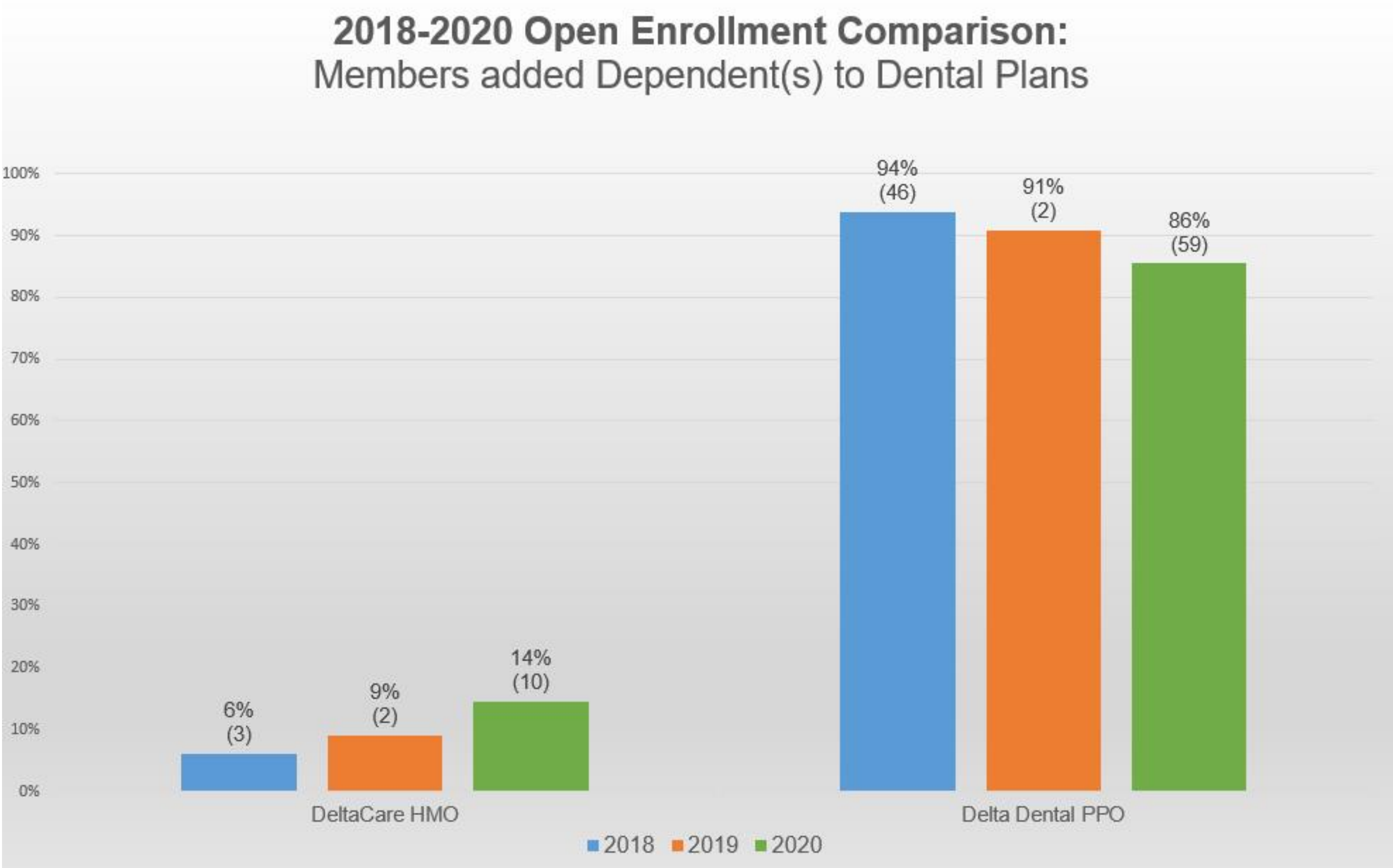

2020 Open Enrollment: Dental Plans
69 Members added Dependent(s)
DHMO
14%
DPPO
86%
DeltaCare USA HMO (DHMO) - 10
Delta Dental PPO (DPPO) - 59

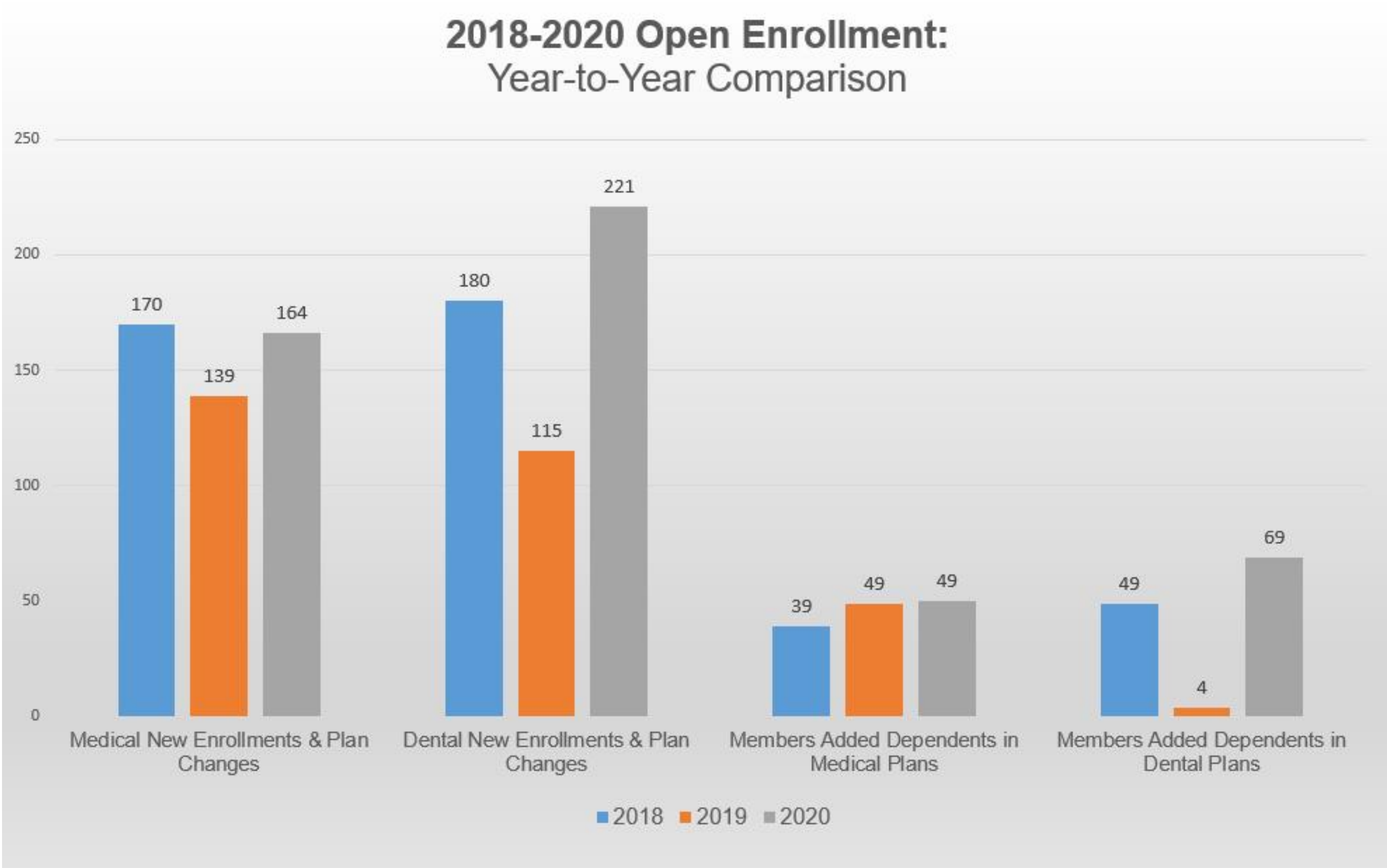


2018-2020 Open Enrollment Comparison:
Medical Plan Enrollments (New + Change)
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
10% (17)
12% (17)
9% (14)
41% (70)
45% (62)
42% (69)
36% (61)
32% (44)
32% (53)
5% (9)
5% (7)
9% (15)
6% (10)
6% (9)
7% (12)
2% (3)
0% (0)
1% (1)
Anthem HMO
ABC PPO/MS
Kaiser
SCAN
UHC
Dual Care
2018
2019
2020


2018-2020 Open Enrollment Comparison:
Dental Plan Enrollments (New + Change)
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
27%
(48)
30%
(35)
15%
(34)
73%
(132)
70%
(80)
85%
(187)
DeltaCare HMO
Delta Dental PPO
2018
2019
2020


2018-2020 Open Enrollment Comparison:
Members added Dependent(s) to Medical Plans
60%
50%
40%
30%
20%
10%
0%
8% (3)
10% (5)
8% (4)
33% (13)
33% (16)
31% (15)
54% (21)
49% (24)
57% (28)
3% (1)
4% (2)
2% (1)
0% (0)
2% (1)
2% (1)
3% (1)
2% (1)
0% (0)
Anthem HMO
Anthem PPO/MS
Kaiser
SCAN
UHC
Dual Care
2018
2019
2020


2018-2020 Open Enrollment Comparison:
Members added Dependent(s) to Dental Plans
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
6%
(3)
9%
(2)
14%
(10)
94%
(46)
91%
(2)
86%
(59)
DeltaCare HMO
Delta Dental PPO
2018
2019
2020


2018-2020 Open Enrollment:
Year-to-Year Comparison
250
200
150
100
50
0
170
139
164
180
115
221
39
49
49
49
4
69
Medical New Enrollments & Plan Changes
Dental New Enrollments & Plan Changes
Members Added Dependents in Medical Plans
Members Added Dependents in Dental Plans
2018
2019
2020

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION **MEETING: FEBRUARY 25, 2020**
From: Lita Payne, Executive Officer Lita Payne **ITEM: VI – A**

SUBJECT: **TRAVEL AUTHORITY – COMMISSIONER NILZA SERRANO; HARVARD KENNEDY SCHOOL EXECUTIVE EDUCATION – LEADERSHIP DECISION MAKING; OPTIMIZING ORGANIZATIONAL PERFORMANCE PROGRAM, CAMBRIDGE, MASSACHUSETTS; JUNE 7-12, 2020 AND POSSIBLE BOARD ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Board authorize Commissioner Serrano to attend the Harvard Kennedy School Executive Education – Leadership Decision Making; Optimizing Organizational Performance Program from June 7-12, 2020 (travel dates June 7-12, 2020) in Cambridge, Massachusetts; and authorize the reimbursement of up to $10,459.25 for reasonable expenses in connection with participation.

Discussion

Commissioner Serrano has expressed interest in attending the above-mentioned educational conference, and this Board report is prepared on her behalf. Commissioner Serrano has been provided a copy of LACERS Board Education and Travel Policy.

Pursuant to the Board Education and Travel Policy (Policy), Board approval is necessary for this travel request because this conference was not pre-approved with the adoption of the Approved List of Educational Seminars for Fiscal Year 2019-20, and the total cost for Commissioner Serrano's attendance exceeds $10,000.

Strategic Plan Impact Statement

As stipulated in the Policy, the sound management of the assets and liabilities of a trust fund imposes a continuing need for all Board Members to attend professional and educational conferences, seminars and other educational events that will better prepare them to perform their fiduciary duties.

For Fiscal Year 2019-20, Commissioner Serrano has an education travel budget of $10,000.

Prepared By: Ani Ghoukassian, Commission Executive Assistant II

Attachments: 1. Estimate of Reimbursable Expenses
2. Proposed Resolution
3. Tentative Schedule/Agenda

CITY OF LOS ANGELES
Intra-Departmental Correspondence

BOARD Meeting of 02/25/20 Item VI-A Attachment 1

DATE: February 11, 2020

TO: Accounting Section
City Employees' Retirement System

FROM: Ani Ghoukassian, Commission Executive Assistant II
Board of Administration

SUBJECT: ESTIMATE OF REIMBURSABLE EXPENSES

Name of Attendee Title	NILZA SERRANO, COMMISSIONER LACERS Board of Administration	
Event	Leadership Decision Making; Optimizing Organizational Performance	
Organization	Harvard Kennedy School	
Date(s) of Event	June 7-12, 2020 (Travel dates June 7-12,2020)	
Location of Event	Cambridge, Massachusetts	
ESTIMATED EXPENSES:	Program Fee: $9,400 (Includes tuition, housing, curricular materials, and most meals)	$9,400.00
	Conf. Hotel: Included in Program Fees	
	Commercial Airline: Roundtrip LAX to Cambridge, Massachusetts	$500.00
	Per diem: June 7 - $53.25 (1st day of travel) June 8 - $5.00 (All meals provided) June 9 - $5.00 (All meals provided) June 10 - $5.00 (All meals provided) June 11 - $5.00 (All meals provided) June 12 - $36.00 (Breakfast & Lunch provided)	$109.25
	Taxi: Home to Airport (roundtrip):	$200.00
	Taxi: Airport to Hotel (roundtrip):	$70.00
	Miscellaneous: ($30 per day) x 6 days	$180.00
	TOTAL ESTIMATE:	**$10,459.25**

BOARD Meeting of 02/25/20
Item VI-A
Attachment 2

TRAVEL AUTHORITY
HARVARD KENNEDY SCHOOL EXECUTIVE EDUCATION
LEADERSHIP DECISION MAKING; OPTIMIZING ORGANIZATIONAL PERFORMANCE
JUNE 7-12, 2020
CAMBRIDGE, MASSACHUSETTS

PROPOSED RESOLUTION

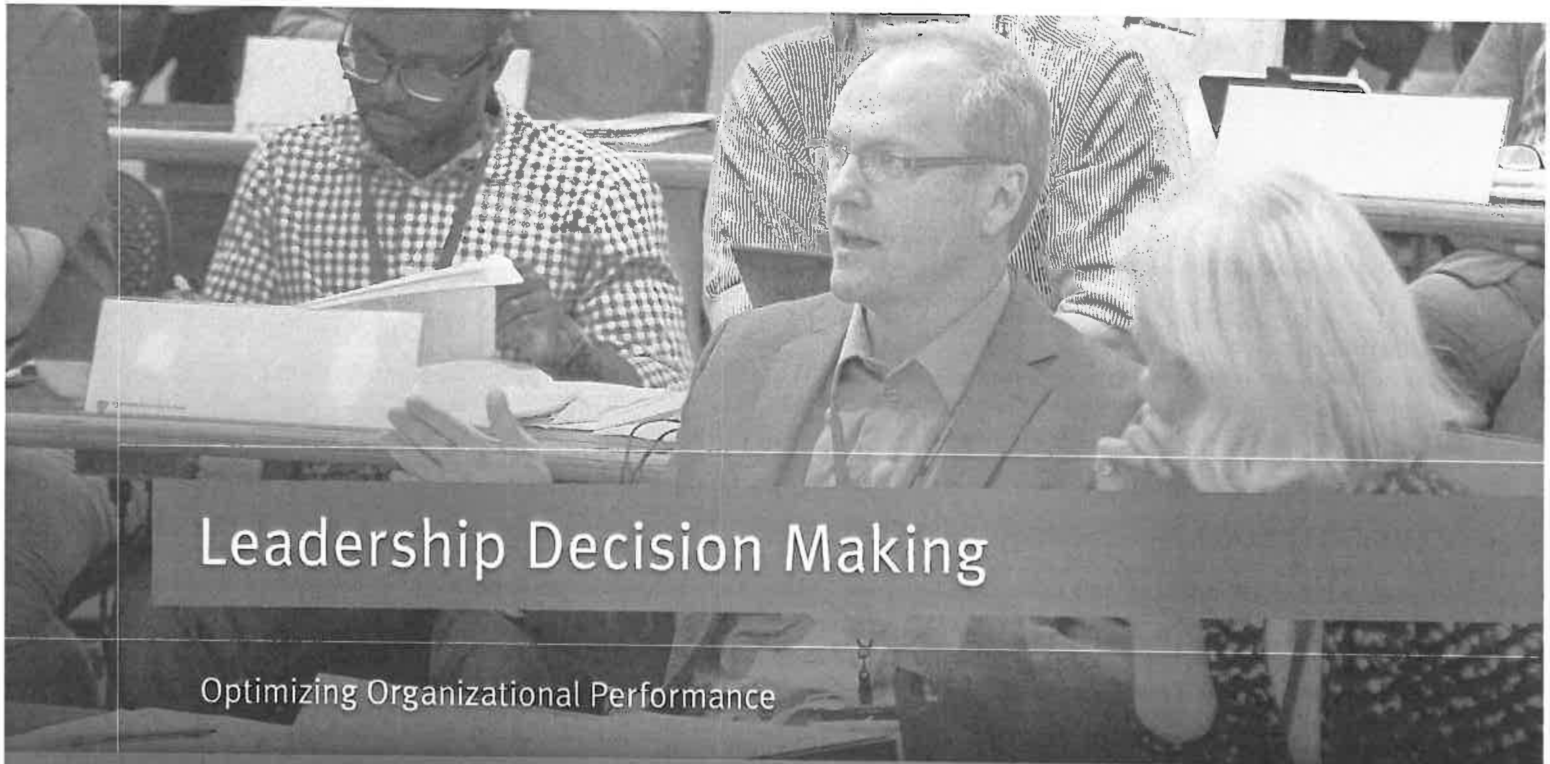
WHEREAS, Board approval is required for all international travel requests and travel not included in the Approved List of Educational Seminars;

WHEREAS, the Harvard Kennedy School Executive Education: Leadership Decision Making; Optimizing Organizational Performance program in Cambridge, Massachusetts is not included in the Approved List of Educational Seminars for Fiscal Year 2019-20, and exceeds the annual education travel budget of $10,000.00, and therefore requires individual approval;

WHEREAS, the sound management of the assets and liabilities of a trust fund imposes a continuing need for all Board Members to attend professional and educational conferences, seminars, and other educational events that will better prepare them to perform their fiduciary duties;

THEREFORE, BE IT RESOLVED, that Commissioner Serrano is hereby authorized to attend the Harvard Kennedy School Executive Education: Leadership Decision Making; Optimizing Organizational Performance program from June 7-12, 2020 in Cambridge, Massachusetts;

BE IT FURTHER RESOLVED, that the reimbursement of up to $10,459.25 is hereby authorized for reasonable expenses in connection with participation.



Leadership Decision Making

Optimizing Organizational Performance

WWW.HKS.HARVARD.EDU/EE/DECISION

HARVARD Kennedy School
Executive Education
YOU'RE HERE TO MAKE A DIFFERENCE.℠

"The week I spent attending *Leadership Decision Making* was transformative. The level of discourse was challenging and inspiring, and I have applied many of the learnings in my position as a senior leader in government."

– VICTORIA WEI
ACTING VICE PRESIDENT
MANAGEMENT SERVICES, U.S. FEDERAL AVIATION ADMINISTRATION

LEADERSHIP DECISION MAKING

Optimizing Organizational Performance

Should we trust gut feelings? How should we make rational choices in uncertain times? Are we hiring the best people for the job? Should we choose the risky option or the sure thing? How do we use all the data at our disposal? What are the best strategies for negotiating an agreement? To what extent can ethical frameworks help our organization analyze complex tradeoffs?

From classical to contemporary times, two skills remain essential in all professional settings: wise judgment and effective decision-making. Drawing on theories and evidence from psychology, behavioral economics, and neuroscience, *Leadership Decision Making* gives leaders like you hands-on learning experiences that improve decision analysis and leadership effectiveness. In just six extraordinary days, the program will:

- Train you to recognize biases in judgment that affect even the most intelligent individuals
- Equip you with structured decision-making techniques empirically shown to improve decisions

In the era of big data, *Leadership Decision Making* begins with the premise that leaders are awash in information, but also that information is only as good as the decision makers who use it. Here at Harvard, you will gain the analytical tools necessary to turn data into evidence by learning the principles of causal inference via randomized experiments — the most powerful tool used in the social and behavioral sciences to make sense of complex situations.

Leadership Decision Making also expands the definition of leadership to include being responsible for designing decision environments that help everyone in an organization make smarter choices. Using an award-winning choice exercise, the program will help you think like what Thaler and Sunstein (2009) call a "choice architect."

CURRICULUM

Leadership Decision Making is led by world-renowned Harvard faculty from a range of academic backgrounds. It also features distinguished guest speakers, including cabinet-level officials, former CEOs of Fortune 100 companies, and advisors to U.S. presidents, all of whom share lessons from practical experience. The program presents cutting-edge research, often before it is even released to the public, and translates scientific discoveries into practical strategies through seminars, cases, and decision exercises.

The curriculum focuses on key areas that drive organizational performance, including:

» Reducing decision biases in your organization
» Communicating risk accurately and effectively
» Improving negotiation skills
» Increasing forecast accuracy, especially for low-probability, potentially catastrophic events
» Understanding the role of emotion in judgment and decision making
» Designing smart accountability systems for judgment and decision making
» Gaining support for your decisions
» Leveraging big data to improve judgments and decisions

Customized, Confidential Reports of Your Decision-Making Style
Professor Lerner and the ***Harvard Decision Science Laboratory*** utilize the best scientifically-validated measures to illuminate the decision-making style of each individual leader in the program. Typically one of the most popular aspects of the program, this resource will generate personalized, confidential feedback on your decision-making style. You will be able to compare privately your personal data with both classroom and societal averages. Moreover, you will gain practice in interpreting measures you can use for assessing and optimizing decision making in your own organization.

YOU'RE HERE TO MAKE A DIFFERENCE.℠

WHO SHOULD ATTEND

The program is intended for senior-level executives in the public, nonprofit, and corporate sectors who are open to new ways of thinking about leadership in an era when data and decision strategy matter more than ever. Past participants have included elected politicians, corporate executives, military officers, diplomats, law enforcement officers, scholars, intelligence analysts, a diverse set of senior managers, and some emerging leaders.

Participant diversity is an important feature of this program and critical to its success. This setting allows participants to interact with colleagues from across geographic boundaries and professional sectors, helping these leaders understand the human dynamics that make or break the effectiveness of decision environments within their own organizations.

*"**Leadership Decision Making** addressed both the theories and tools necessary to deal with the organizational challenges of big data. Professor Lerner and her team explored everything from decision science to ethics, behavioral psychology to negotiation theory in one amazing week."*

– DAVID SOL
INVESTMENT DIRECTOR
STANDARD LIFE INVESTMENTS

TO APPLY OR LEARN ABOUT PROGRAM DATES, CURRICULUM, TUITION, AND MORE, PLEASE VISIT

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Admission is competitive and based on professional achievement and organizational responsibility. There are no formal educational requirements; however, fluency in written and spoken English is a necessity for participation.

This program qualifies for both the Public Leadership Executive Certificate and the Public Policy Executive Certificate. Visit www.hks.harvard.edu/ee/certificate to learn more.

FACULTY CHAIR

Dr. Jennifer Lerner is the Thornton F. Bradshaw Professor of Public Policy, Management, and Decision Science at the Harvard Kennedy School and a Co-founder of the groundbreaking ***Harvard Decision Science Laboratory.*** In addition to twenty years of experience as a professor, Lerner has served as the U.S. Navy's first Chief Decision Scientist, advising the U.S. Chief of Naval Operations on ways in which the principles and tools of decision science can help the U.S. Navy navigate the complex information environment of the 21st century. Lerner's scientific research combines insights from psychology, economics, and neuroscience. She examines how human feelings influence risk perception, economic transactions, and legal judgments, and how authority systems shape judgment and choice outcomes. Lerner has received numerous awards, including the Presidential Early Career Award for Scientists and Engineers, the highest honor bestowed by the U.S. government upon outstanding scientists and engineers in the early stages of their independent research careers, and the Superior Public Service Medal from the Department of the Navy for serving on the advisory board for the Secretary of the Navy. Lerner was also selected to the National Science Foundation's "Sensational 60" — a select group of scientists and engineers who received graduate school fellowships from NSF and have since gone on to scientific prominence. She teaches several executive education programs and serves as a consultant for private and public sector organizations, including the United Nations Leadership Program. Previously an associate professor at Carnegie Mellon University, Lerner joined the Harvard faculty in 2007 and became the first psychologist in the history of the Harvard Kennedy School to receive tenure.

"This program gave me a unique opportunity to learn about the latest decision-making research from top professionals in a motivating and multicultural environment. It's the best learning experience I've ever had."

JOÃO AGUIAR MACHADO
DIRECTOR GENERAL EUROPEAN COMMISSION
DG MARITIME AFFAIRS AND FISHERIES

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HARVARD Kennedy School
Executive Education

WWW.HKS.HARVARD.EDU/EE/DECISION

79 JFK Street
Cambridge, MA 02138 USA
Phone: +1-617-496-9000
Email: exed@hks.harvard.edu

Leadership Decision Making: Optimizing Organizational Performance

Session Dates:	Dates June 07, 2020 - June 12, 2020
Application Deadline:	Application Deadline April 07, 2020

Faculty Chair
Jennifer Lerner

Program Director: Pia Agliati

Program fee:
$9,400

Session Description
Program Fee: The program fee includes tuition, housing, curricular materials and most meals.
Executive Certificate: This program is part of the Public Leadership and Public Policy Executive Certificate series.
Executive Core Qualifications (ECQs): This program aligns with one or more Executive Core Qualifications.

Leadership Decision Making: Optimizing Organizational Performance
September 8-13, 2019

Sunday, September 8	Monday, September 9	Tuesday, September 10	Wednesday, September 11	Thursday, September 12	Friday, September 13
	8:00 - 8:45 am Breakfast HKS Café	8:00 - 8:45 am Breakfast HKS Café	7:45 -8:15 am Breakfast HKS Cafe 8:15 - 9:00 am *Behavioral Insight Teams Choice Exercise* Jennifer Lerner Team Rooms	8:00 - 8:45 am Breakfast HKS Cafe	8:00 - 8:45 am Breakfast HKS Cafe
	9:00 - 10:30 am *Decision Science I* **Jennifer Lerner**	9:00 - 10:30 am *Team Decision Making I* **Julia Minson**	9:00 - 10:45 am Negotiation I **Kessely Hong**	9:00 - 10:15 am *Ethics and Decision Making I* **Jennifer Lerner & Chris Robichaud**	9:00 - 10:30 am *Behavioral Insight Teams Results and Debrief* **Jennifer Lerner & Todd Rogers**
	Break 10:30 - 10:45 am	Break 10:30 - 10:45 am	Break 10:45 - 11:20 am	Break 10:15 - 10:30 am	Break 10:30 - 10:45 am
Arrival Doubletree Hotel Guest Suites 400 Soldiers Field Rd Boston, MA **Meet in Lobby at 1:10pm**	10:45 am - 12:15pm *Decision Science II* **Jennifer Lerner**	10:45 am - 12:15 pm *Team Decision Making II* **Julia Minson**	11:20am-12:30pm Negotiation II **Kessely Hong**	10:30 am-12:15pm *Ethics and Decision Making II* **Jennifer Lerner & Chris Robichaud**	10:45 - 11:45 am *Understanding Your Personal Decision Making Report* **Jennifer Lerner** 11:45 - 12:45 pm *Program Wrap Up & Career Enhancing Opportunities* **Jennifer Lerner**
	12:15 - 1:45 pm *Film Mind Over Money* Lunch NYE ABC	12:15 - 1:30pm Lunch NYE BC	12:30 -1:30 pm *Lunch* *Behavioral Insight Teams Choice Exercise* Jennifer Lerner NYE BC	12:15 - 1:30 pm Lunch NYE BC	Safe Travels!
1:30 - 2:15 pm Decision Making Exercise, Group A Harvard Tour, Group B 2:20 - 3:05 pm Decision Making Exercise, Group B Harvard Tour, Group A ***124 Mt. Auburn Street, Cambridge***	1:45 - 3:15 pm *Decision Science III* **Jennifer Lerner**	1:30- 3:00 pm *Decision Science IV* **Jennifer Lerner**	1:30 - 3:00 pm *Behavior Change* **Todd Rogers**	1:30 - 3:00 pm *Conflict Resolution: Dealing with Emotions I* **Daniel Shapiro**	
	Break 3:15 - 3:30pm	Break 3:00-3:30 pm / Group Photo	Break 3:00 - 3:15 pm	Break 3:00- 3:15 pm	
3:30 - 5:30 pm *Welcome & Introductions* **Jennifer Lerner**	3:30 -5:00pm *Conversation on Leadership Decision Making* **Jennifer Lerner & Nancy Gibbs**	3:30-5:00pm *Workplace Workshop* **Jennifer Lerner**	3:15-4:45pm *Behavioral Insight Teams* **Todd Rogers** Team Rooms	3:15 - 5:00pm *Conflict Resolution: Dealing with Emotions II* **Daniel Shapiro**	
5:45 pm - 7:15 pm Reception & Opening Dinner NYE BC	5:15 -7:00pm Dinner NYE BC	Break 5:00 - 5:15pm 5:15- 6:30 pm *Behavioral Insight Teams Introduction to Choice Exercise* Jennifer Lerner	5:00- 6:00 pm *Behavioral Insight Teams Choice Exercise* Jennifer Lerner Team Rooms	6:45pm *Buses depart from Hotel for closing dinner*	
		7:00 - 8:00 pm Dinner *Doubletree Hotel*	Dinner on your own ***Submit Team Assignment by 9:00 PM to jennifer_battista@hks.harvard.edu***	7:00 - 9:30 pm Final Dinner *Loeb House*	

All classes will take place in Wiener Auditorium, Taubman Building Ground Floor Meal locations are listed above.

SAMPLE SCHEDULE

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION
From: Lita Payne, Executive Officer Lita Payne

MEETING: FEBRUARY 25, 2020
ITEM: VII-A

SUBJECT: **ACTUARIAL RISK ASSESSMENT AND REVIEW OF FUNDED STATUS OF THE RETIREMENT AND HEALTH PLANS AS OF JUNE 30, 2019**

ACTION: ☐ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☒

Recommendation

That the Board receive and file this report.

Executive Summary

LACERS' consulting actuary, Segal, prepared and is presenting to the Board of Administration (Board) the LACERS Risk Assessment and Review of Funded Status of the Retirement and Health Plans as of June 30, 2019 (Actuarial Risk Assessment Report). The purpose of the Actuarial Risk Assessment Report is to assist the Board, the City Employer, Members and other stakeholders to better understand and assess the risk profile of the Retirement System, as well as the particular risks inherent in using a fixed set of actuarial assumptions in preparing the results of the June 30, 2019 Actuarial Funding Valuations.

Assessing and disclosing risk associated with measuring pension obligations and determining pension plan contributions is a new Actuarial Standard of Practice (ASOP) No. 51 which is being reported to the Board in this format for the first time, inclusive of both the Retirement and the Health Plans. This Actuarial Risk Assessment Report expands upon the Risk Assessment section reported in the June 30, 2019 Actuarial Valuation. Although ASOP 51 does not apply to Other Post-Employment Benefits, the same types of information and analysis are applicable and thus LACERS' Management has requested inclusion of the Health Plan in this report.

This report illustrates how favorable and unfavorable economic and demographic experience have impacted the funded status, Unfunded Actuarial Accrued Liabilities, and the employer contribution rates over the past ten years, as well as provides deterministic projections of these factors based on hypothetical investment experience (i.e., 14.50%, 0.00%, and the assumed 7.25%) at June 30, 2020. The Board's decisions on the Actuarial assumptions and the Actuarial Funding Policy impact these factors. The next consideration of Actuarial assumptions changes will be in May 2020, included with the presentation of the Actuarial Experience Study for 2017-2019. The Actuarial Funding Policy, last revised in 2014, is also slated for review in 2020. Segal and staff will bring forth funding policy recommendations following the completion of the Experience Study.

Strategic Plan Impact Statement

LACERS Actuarial Risk Assessment report and review of the funded status of the Retirement and Health Plans will help the Board, our Members, and other stakeholders gain a better understanding of the risk profile of the System. This report and review conforms to LACERS' Strategic Plan Goal 5, Governance, to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Todd Bouey, Assistant General Manager

LP/TB/DW/CK

Attachment: LACERS Risk Assessment Including Review of Funded Status of the Retirement and Health Plans as of June 30, 2019

Los Angeles City Employees' Retirement System

Risk Assessment

Including Review of Funded Status of the Retirement and Health Plans as of June 30, 2019

February 19, 2020

Paul Angelo, FSA, MAAA, FCA, EA
Andy Yeung, ASA, MAAA, FCA, EA
Todd Tauzer, FSA, MAAA, FCA, CERA

Segal

Table of Contents

Section 1: Introduction and Executive Summary

Introduction

The purpose of this report is to assist the Board of Administration,[1] participating employers and members and other stakeholders to better understand and assess the risk profile of the Los Angeles City Employees' Retirement System (LACERS), as well as the particular risks inherent in using a fixed set of actuarial assumptions in preparing the results in our June 30, 2019 funding valuations for LACERS.

The results included in our June 30, 2019 funding valuation reports for the Retirement and Health Plans were prepared based on a fixed set of economic and non-economic actuarial assumptions under the premise that future experience of LACERS would be consistent with those assumptions. While those assumptions are generally reviewed every three years (with the assumptions from the last triennial experience study adopted by the Board of Administration for use starting with the June 30, 2018 valuation), there is a risk that emerging results may differ significantly as actual experience is fluid and will not completely track current assumptions.

New Actuarial Standard of Practice on Risk Assessment

The Actuarial Standards Board approved the new Actuarial Standard of Practice No. 51 (ASOP 51) regarding risk assessment when performing a funding valuation and it is effective with LACERS' June 30, 2019 actuarial valuation for benefits provided by the Retirement Plan.[2] ASOP 51 requires actuaries to identify and assess risks that "may reasonably be anticipated to significantly affect the plan's future financial condition." Examples of key risks listed that are particularly relevant to LACERS are asset/liability mismatch risk, investment risk, and longevity and other demographic risks. The Standard also requires an actuary to consider if there is any ongoing contribution risk to the plan; however, it does not require the actuary to evaluate the particular ability or willingness of contributing entities to make contributions when due, nor does it require the actuary to assess the likelihood or consequences of future changes in applicable law.

The actuary's initial assessment can be strictly a qualitative discussion about potential adverse experience and the possible effect on future results, but it may also include quantitative numerical demonstrations where informative. The actuary is also encouraged to consider a recommendation as to whether a more detailed risk assessment would be

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[1] This risk report has been prepared at the request of the Board of Administration to assist in administering the Fund. This risk report may not otherwise be copied or reproduced in any form without the consent of the Board of Administration and may only be provided to other parties in its entirety, unless expressly authorized by Segal. The measurements shown in this risk report may not be applicable for other purposes.

[2] ASOP 51 does not actually apply to actuaries performing services related to other post-employment benefits; however, as the same kind of information is useful for the administration of the Health Plan, after discussions with LACERS the System has requested Segal to include information on the Health Plan in this risk report.

significantly beneficial for the intended user in order to examine particular financial risks. When making that recommendation, the actuary will take into account such factors as the plan's design, risk profile, maturity, size, funded status, asset allocation, cash flow, possible insolvency and current market conditions. This report incorporates a more detailed risk assessment as agreed upon with LACERS.

Plan Risk Assessment

In Section 2, we start by discussing some of the historical factors that have caused changes in LACERS' funded status and employer contribution rates. It is important to understand how the combination of decisions and experience has led to the current financial status of the plan. We follow this with a discussion of the most significant risk factors going forward. Even though we have not included a numerical analysis of all the risk factors, based on our discussions with LACERS we have illustrated the impact on the funded status and employer contribution rates using relevant economic scenario tests. These tests illustrate the effect of future investment returns on the System's portfolio coming in differently from the current 7.25% annual investment return assumption used in the June 30, 2019 valuations. The Standard also requires disclosure of plan maturity measures and other historical information that are significant to understanding the risks associated with the Retirement and Health Plans and this information is included in this report.

Executive Summary

Historical Funded Status and Employer Contribution Rates

The following table provides a summary of financial changes to the Retirement and Health Plans over the last 10 valuations by showing the beginning and ending year results over that period. The full set of results for each of the 10 years is provided in *Appendix D*.

The unfunded actuarial accrued liability (UAAL)[3] and contribution rates[4] increased primarily as a result of the strengthening of the actuarial assumptions used in preparing the valuations and unfavorable investment experience that were offset to some degree by favorable non-investment experience.

	Market Value Basis		Valuation Value Basis		Total (Aggregate) Employer Contribution Rate (% of Payroll – Contributions Received on July 15)
Valuation Date	**Funded Status**	**UAAL**	**Funded Status**	**UAAL**	
June 30, 2010	60.5%	$5.9B	74.0%	$3.8B	27.66%
June 30, 2019	73.1%	$6.5B	73.1%	$6.5B	29.12%

Future Funded Status and Employer Contribution Rates

In this report, we highlight key factors that may affect the financial profile of the Plans going forward. As investment experience in the past 10 years has had a significant impact on the funded status and employer contribution rates, we have also provided deterministic projections (using select scenarios for illustration) under hypothetical favorable and unfavorable future market experience so that the impact of market performance can be better understood.

The total (aggregate) employer contribution rate is 29.12% of total payroll in the June 30, 2019 valuations. Using a deterministic projection, this report shows the effect of either favorable (14.50%) or unfavorable (0.00%) hypothetical

[3] For example, the UAAL increased by $422.0 million in the June 30 2011 valuations, $920.7 million in the June 30, 2014 valuations, $461.9 million in the June 30, 2017 valuations, and $593.6 million in the June 30, 2018 valuations (for a total of $2.4B), as a result of the assumptions adopted by the Board following the economic assumptions study and the experience studies over the last ten years.

[4] For example, the increase in the employer's total rate (normal cost plus UAAL) was 1.37% in the June 30, 2011 valuations, 3.20% in the June 30, 2014 valuations, 2.03% in the June 30, 2017 valuations, and 2.09% in the June 30, 2018 valuations (for a total of 8.69%), as a result of the assumptions adopted by the Board following the economic assumptions study and the experience studies over the last ten years.

market returns for 2019/2020 on key valuation results. In particular, the changes in the total employer contribution rate (relative to the June 30, 2019 valuation aggregate employer contribution rate of 29.12%) in the June 30, 2020 valuation and in the June 30, 2026 valuation (when all the investment gains or losses are fully recognized at the end of the seven-year asset smoothing period) are as shown in the following table:

	2019/2020 Single Plan-Year Investment Return		
Contribution Rate Change	**14.50%**	**7.25% (Baseline)**	**0.00%**
June 30, 2020	-1.0% of payroll	-0.3% of payroll	+0.4% of payroll
June 30, 2026	-7.6% of payroll	-3.1% of payroll[5]	+2.6% of payroll

As of June 30, 2019, the longest-duration amortization base is 23 years and will be fully amortized on June 30, 2042. While under the unfavorable (0.00%) hypothetical market return scenario for 2019/2020, the last portion of the deferred investment loss under the seven-year asset smoothing method will be recognized in the June 30, 2026 valuations and paid off in 15 years on June 30, 2041, this is one year earlier than when the 23-year base will be fully amortized. This implies that regardless of the hypothetical market return scenario for 2019/2020, the System would be expected to reach full funding at the end of 23 years and the total employer contribution rate would be expected to approach about 8% of payroll on June 30, 2042.[6]

Plan Maturity Measures

During the past 10 valuations, the Plans have become more mature as evidenced by an increase in the ratio of members in pay status (retirees and beneficiaries) to active members and by an increase in the ratios of plan assets and liabilities to active member payroll. We expect these trends to continue going forward. This is significant for understanding the volatility of both historical and future employer contribution rates because any increase in UAAL due to unfavorable investment and non-investment experience for the relatively larger group of non-active and active members would have to be amortized and funded over the payroll of the relatively smaller group of only active members. Put another way, as a plan grows more mature, its contribution rate becomes more sensitive to investment volatility and liability changes. As the Plans continue to mature with time, its risk profile will continue to evolve in this way and contributions will grow more sensitive to plan experience.

[5] Primarily due to the June 30, 2009 ERIP amortization layer being fully recognized on June 30, 2024.
[6] Assuming no further assumption changes, method changes or experience that differs significantly from assumptions.

Section 2: Key Plan Risks on Funded Status, Unfunded Actuarial Accrued Liabilities, and Employer Contribution Rates

Evaluation of Historical Trends – Retirement and Health Plans

Funded Status and UAAL

One common measure of LACERS' financial status is the funded ratio. This ratio compares the valuation[7] and market value of assets to the actuarial accrued liabilities (AAL)[8] of LACERS. After accounting for contributions made at the Actuarially Determined Contribution (ADC) amount, the overall level of funding of LACERS has remained level as a result of favorable non-investment experience, offset by the change in actuarial funding method, the strengthening of the actuarial assumptions, and unfavorable investment experience. The funded ratios and UAAL are provided separately for the Retirement and Health Plans for the past 10 valuations from June 30, 2010 to 2019 measured using both valuation and market value of assets in *Charts 1a* and *1b*, respectively.

The factors that caused the changes in the UAAL for the past 10 valuations from June 30, 2010 to 2019 are specified, separately for the Retirement and Health Plans, in *Charts 2a* and *2b,* respectively.[9] The results in *Charts 2a* and *2b* reflect that the reductions in the investment return assumption in the June 30, 2011, 2014, and 2017[10] valuations, together with the changes in the mortality tables and other assumptions from the three triennial experience studies recommending assumptions used in the June 30, 2011, 2014, and 2018[10] valuations, have had the most impact on the UAAL for LACERS,[11] followed by the investment experience, especially during 2009 to 2013.

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7 The valuation value of assets is the portion of the total actuarial value of assets allocated for the Retirement and Health Plans. The actuarial value of assets is equal to the market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period.

8 For the actives, the actuarial accrued liability is the value of the accumulated normal costs allocated to the years before the valuation date. For the pensioners, beneficiaries and inactive vested members, the actuarial accrued liability is the single-sum present value of the lifetime benefit expected to be paid to those members.

9 For the Health Plan, *Chart 2b* shows changes only for the past six valuations, from June 30, 2014 to 2019, since detailed information regarding the change in UAAL is not readily available in Segal's valuation reports from June 30, 2010 to 2013.

10 The Board has a practice of reviewing the investment return and other actuarial assumptions at the same time in the triennial experience study. However, the full (economic and non-economic) 2017 experience study was delayed one year to 2018 to allow more time for Segal to study and the Board to discuss and approve the assumptions, and a 2017 economic assumptions study was completed as part of the June 30, 2017 valuations.

11 For example, for the Retirement and Health Plans combined, the UAAL increased by $422.0 million in the June 30 2011 valuations, $920.7 million in the June 30, 2014 valuations, $461.9 million in the June 30, 2017 valuations, and $593.6 million in the June 30, 2018 valuations (for a total of $2.4B), as a result of the assumptions adopted by the Board following the economic assumptions study and the experience studies over the last ten years.

Charts 2a and *2b* also show that the unfavorable investment experience was offset to some extent by favorable non-investment experience. The non-investment experience included lower than expected COLAs granted to retirees and beneficiaries, and lower than expected salary increases for continuing actives. The non-investment experience also included the scheduled 12-month delay in implementing the contribution rates determined in the annual valuation.

Finally, *Charts 2a* and *2b* show some “negative amortization” due to the initial 30-year amortization of the combined base established June 30, 2012. The negative amortization from the combined base is expected to continue through June 30, 2022. Current assumptions and amortization policy generally will not entail negative amortization in the future.

It is important to note that LACERS has strengthened the assumptions over time, particularly lowering the expected investment rate of return, utilizing a generational mortality assumption, and adopting a funding policy that controls future negative amortization. These changes may result in higher contributions in the short term, but in the medium to longer term avoid both deferring contributions and allowing unmanaged growth in the UAAL. We believe these actions are essential for LACERS’ fiscal health going forward.

RETIREMENT PLAN

Funded Ratio (Percentages) and Dollar UAAL ($ Billions) in June 30, 2010 to 2019 Valuations

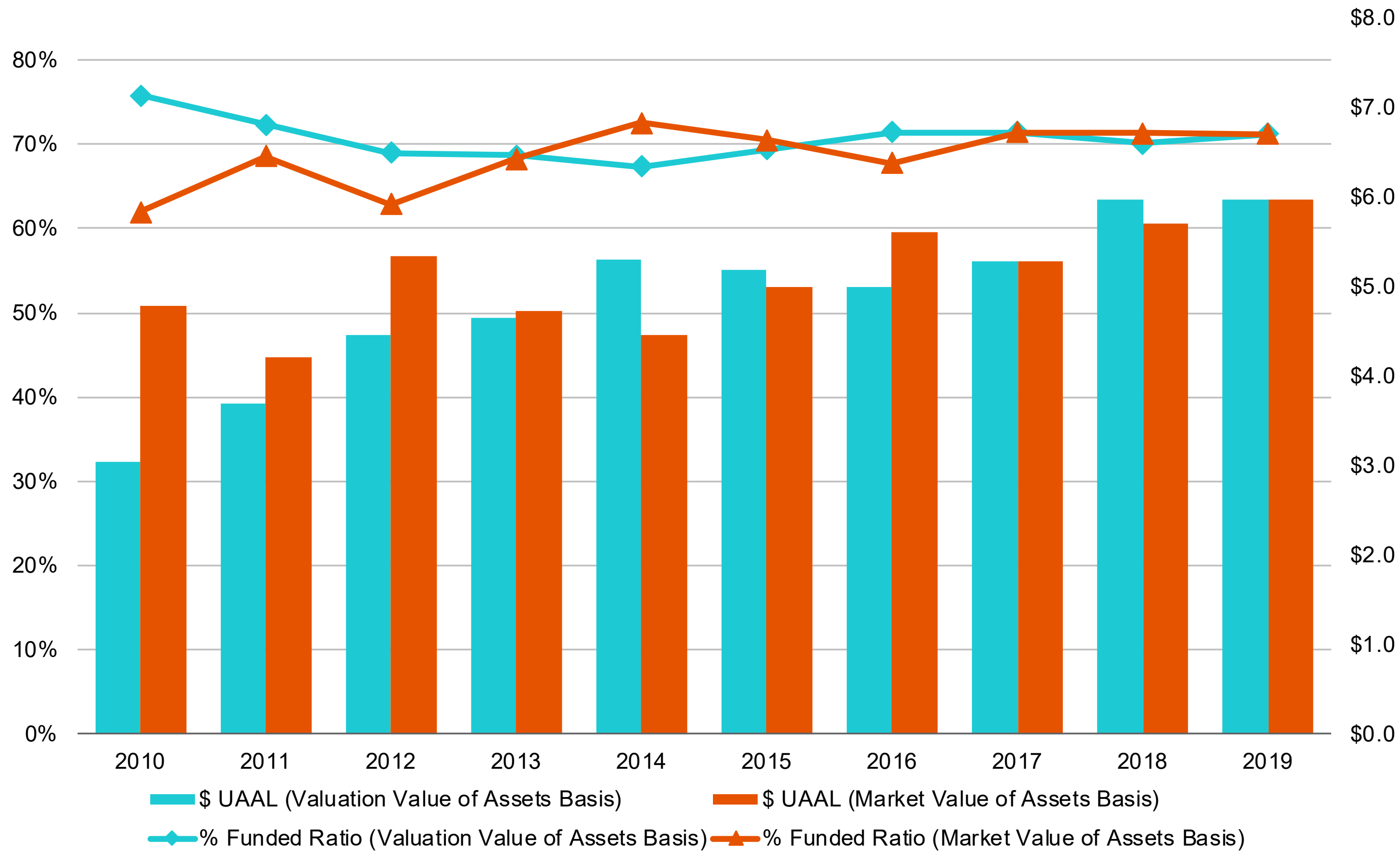
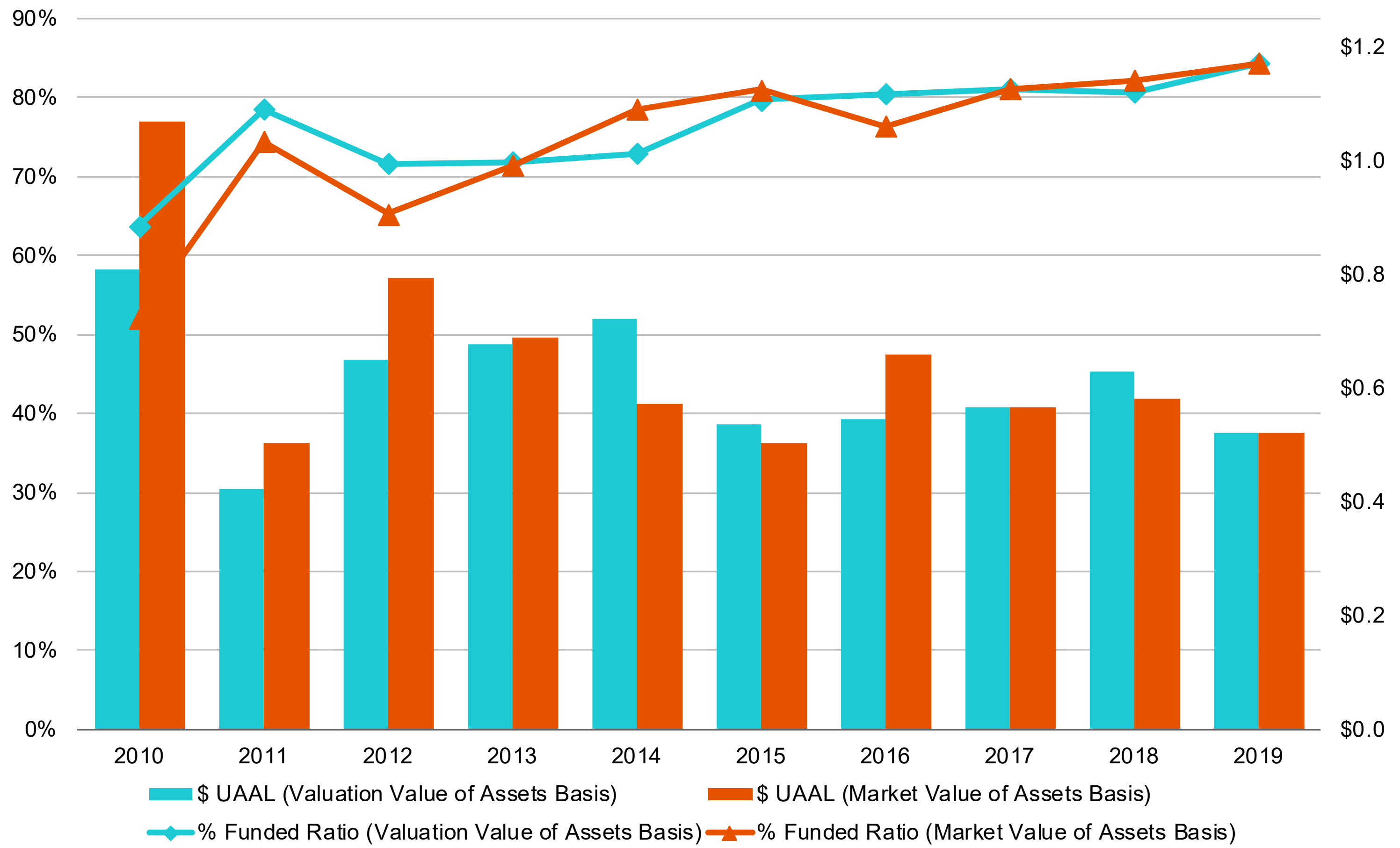


Chart 1b

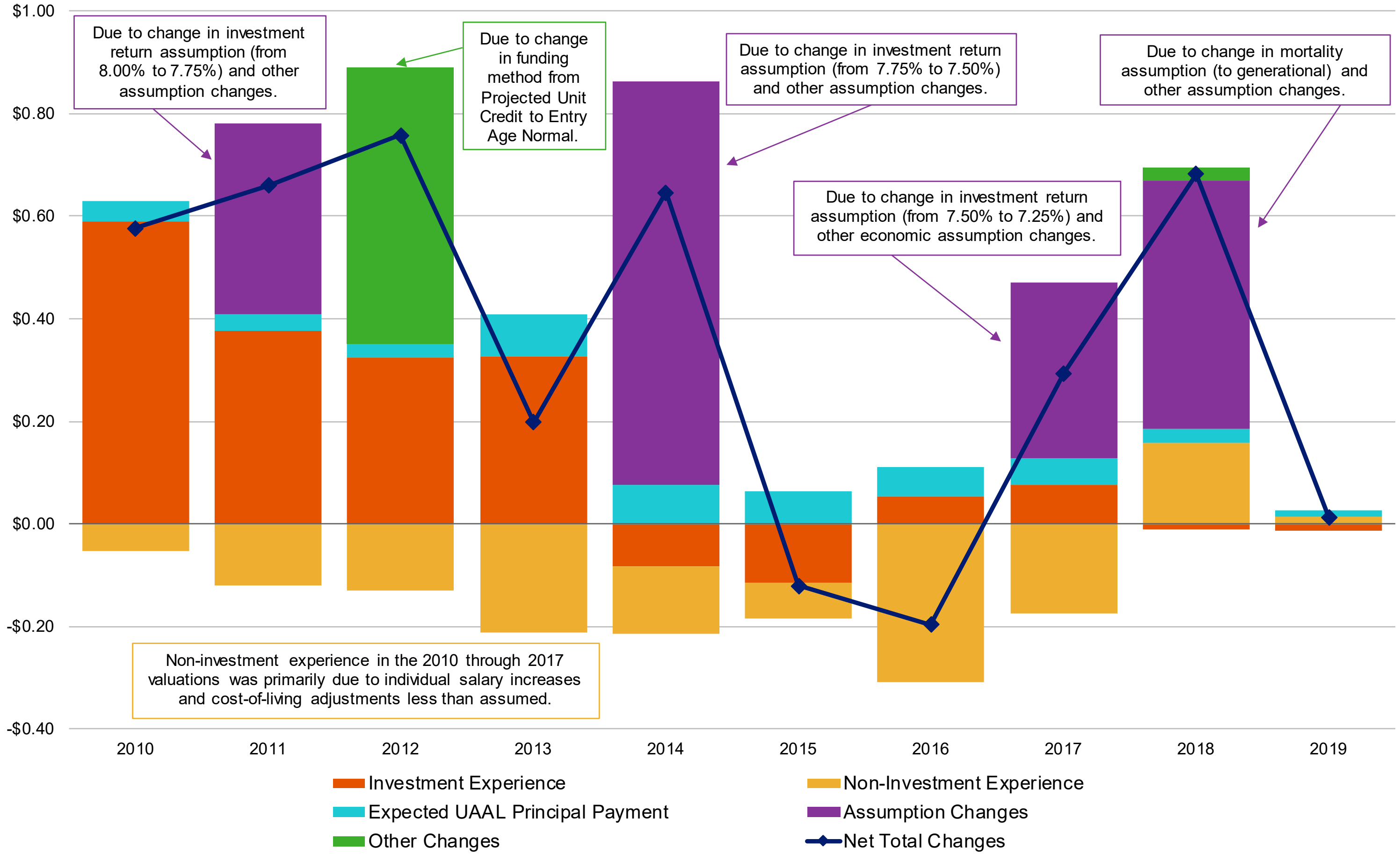
HEALTH PLAN

Funded Ratio (Percentages) and Dollar UAAL ($ Billions) in June 30, 2010 to 2019 Valuations



RETIREMENT PLAN

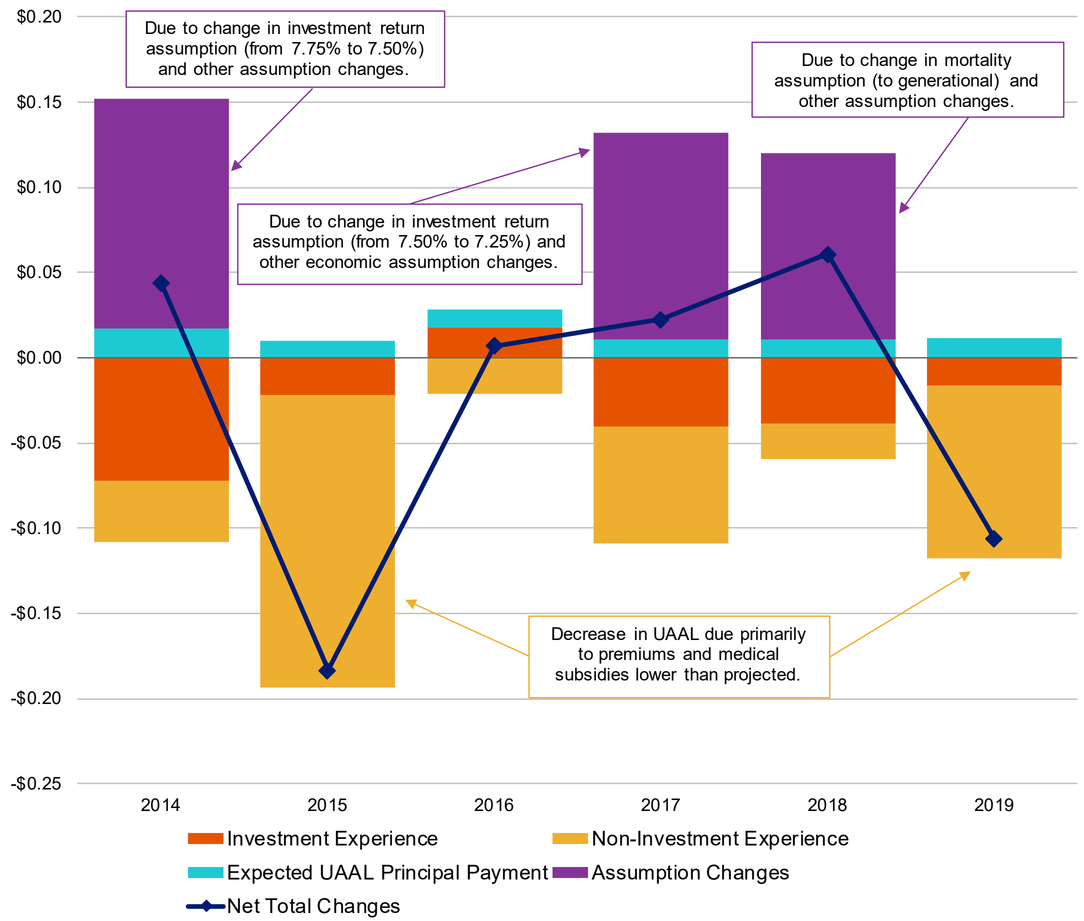
Factors that Changed UAAL in June 30, 2010 to 2019 Valuations ($ Billions)



Note: The primary source of investment losses starting in the June 30, 2009 valuation is the Great Recession, which was recognized in the valuation value of assets over several years.

HEALTH PLAN

Factors that Changed UAAL in June 30, 2014 to 2019 Valuations ($ Billions)



Employer Contribution Rates

The total (normal cost[12] plus UAAL payment) employer contribution rates determined in the June 30, 2010 to 2019 valuations for the Retirement and Health Plans are provided in *Charts 3a* and *3b*, respectively, and the factors that caused the changes in the total aggregate employer rates[13] for the Retirement and Health Plans are provided in *Charts 4a and 4b*, respectively.

The aggregate employer normal cost rates for the Retirement and Health Plans as shown in *Charts 3a* and *3b* have stayed relatively flat since the June 30, 2010 valuation. For the Retirement Plan, the UAAL rate generally increased between the June 30, 2010 and the June 30, 2019 valuations primarily due to unfavorable investment experience and changes in actuarial assumptions. While there have also been increases in the normal cost rates due to the changes in the actuarial assumptions, those increases were offset to some degree by the plan changes – with the introduction of Tier 3 – as new members have been enrolled in the lower cost benefit tier since February 21, 2016. Furthermore, beginning with the June 30, 2012 valuation, an additional employee contribution (either 2% or 4%, becoming 4% for all affected employees effective January 1, 2013) was implemented by the City for certain bargaining groups and for all non-represented employees.[14] For the Health Plan, the UAAL rate generally decreased between the June 30, 2010 and the June 30, 2019 valuations. A primary source of the decrease was reflected in the June 30, 2011 valuation and was due to a freeze in the medical subsidy for non-retired members who were not contributing, other health related assumption changes, and other actuarial experience (primarily medical premiums and subsidies lower than projected).

For the Retirement Plan, *Chart 4a* shows that the changes in the investment return, mortality tables and other assumptions have had the most impact on increasing the UAAL contribution rates[15] for the City. The next greatest impact was from the investment experience during 2010 to 2019. Favorable non-investment experience and additional required member contributions have partially offset the contribution rate increases.

For the Health Plan, *Chart 4b* shows that the non-investment experience[16] (primarily medical premiums and subsidies lower than projected) has had the most impact on decreasing the UAAL contribution rates[15] for the City, offset somewhat from changes in the investment return, mortality tables and other assumptions.

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[12] The normal cost is the amount of contributions required to fund the portion of the level cost of the member's projected retirement benefit that is allocated to the current year of service.

[13] There are separate contribution rates determined in the valuation for Tier 1 and Tier 3 (previously Tier 2, through the June 30, 2015 valuation). The aggregate contribution rates have been calculated based on an average of those rates weighted by the payrolls of the active members reported in those valuations.

[14] As of the June 30, 2012 valuation, roughly 95% of active members were required to pay an additional member contribution rate. By the June 30, 2019 valuation, all active members were paying an additional member contribution rate (which was increased to 4.5% for less than 1% of active members).

[15] For example, for the Retirement and Health Plans combined, the increase in the employer's total rate (normal cost plus UAAL) was 1.37% in the June 30, 2011 valuations, 3.20% in the June 30, 2014 valuations, 2.03% in the June 30, 2017 valuations, and 2.09% in the June 30, 2018 valuations (for a total of 8.69%), as a result of the assumptions adopted by the Board following the economic assumptions study and the experience studies over the last ten years.

[16] Includes the impact of the annual review and adjustment of the medical trend assumptions.

Chart 3a

RETIREMENT PLAN

Employer Contribution Rates in June 30, 2010 to 2019 Valuations
(% of Payroll – Contributions Received on July 15)

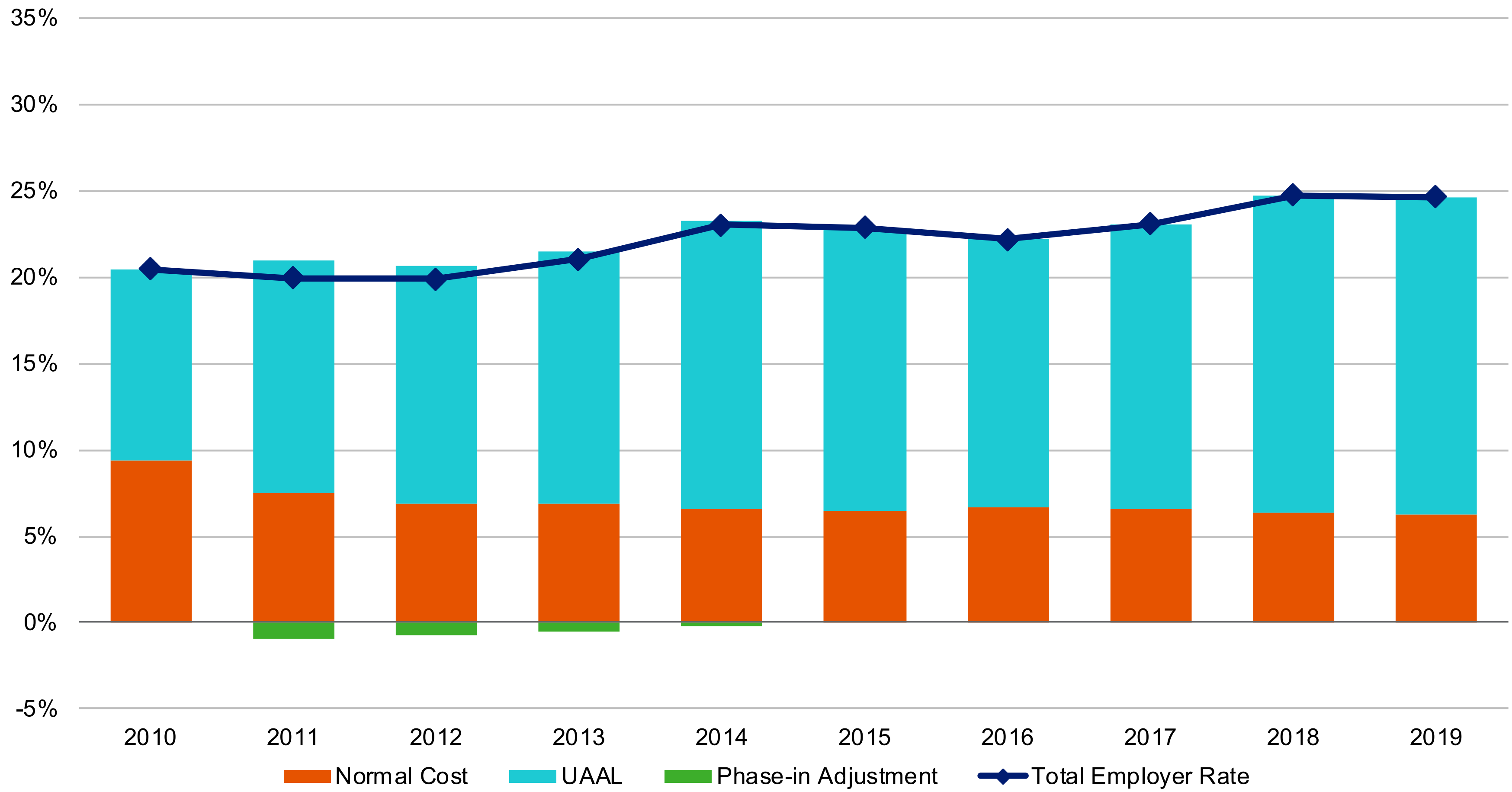
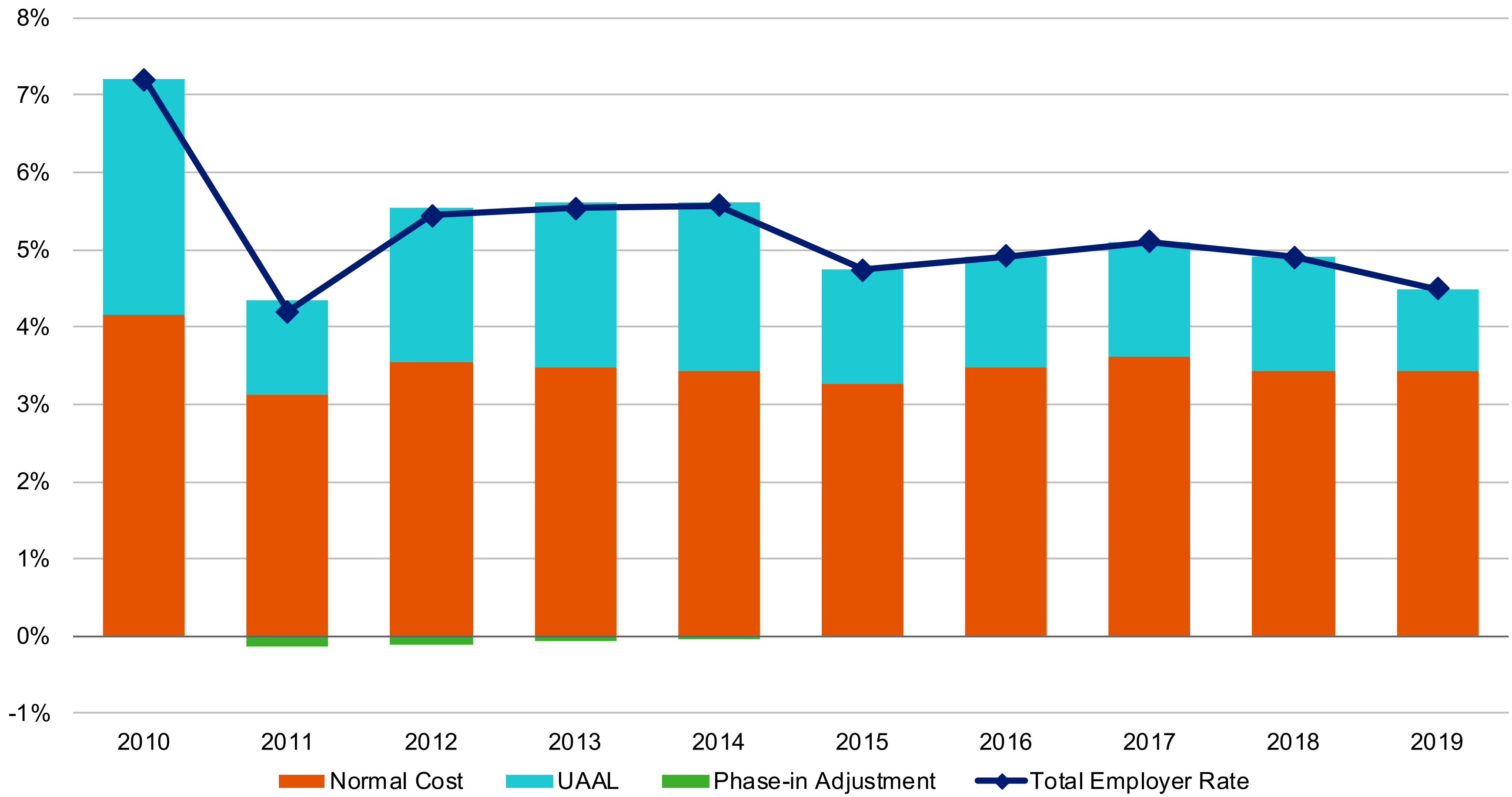


Chart 3b

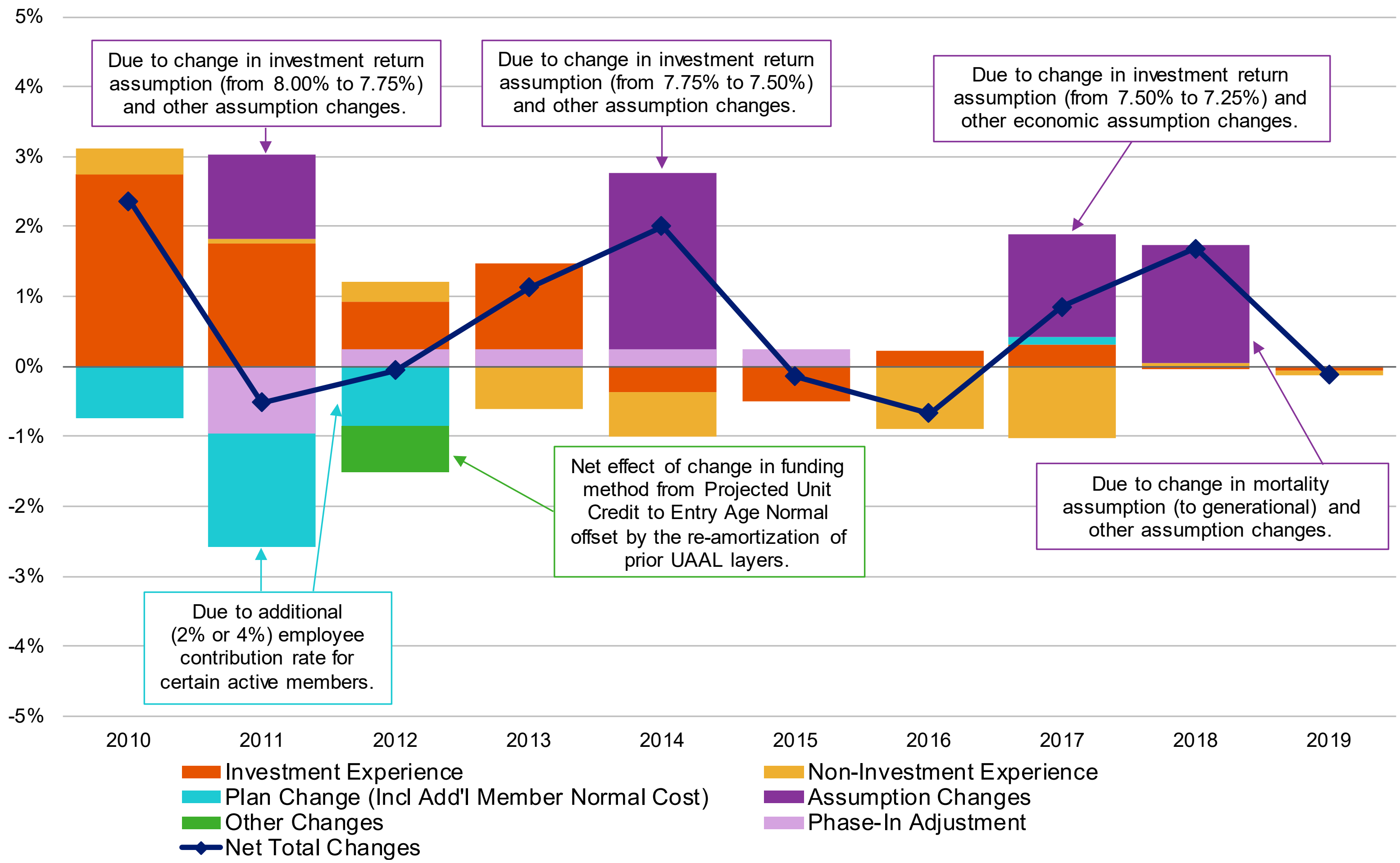
HEALTH PLAN

Employer Contribution Rates in June 30, 2010 to 2019 Valuations
(% of Payroll – Contributions Received on July 15)



RETIREMENT PLAN

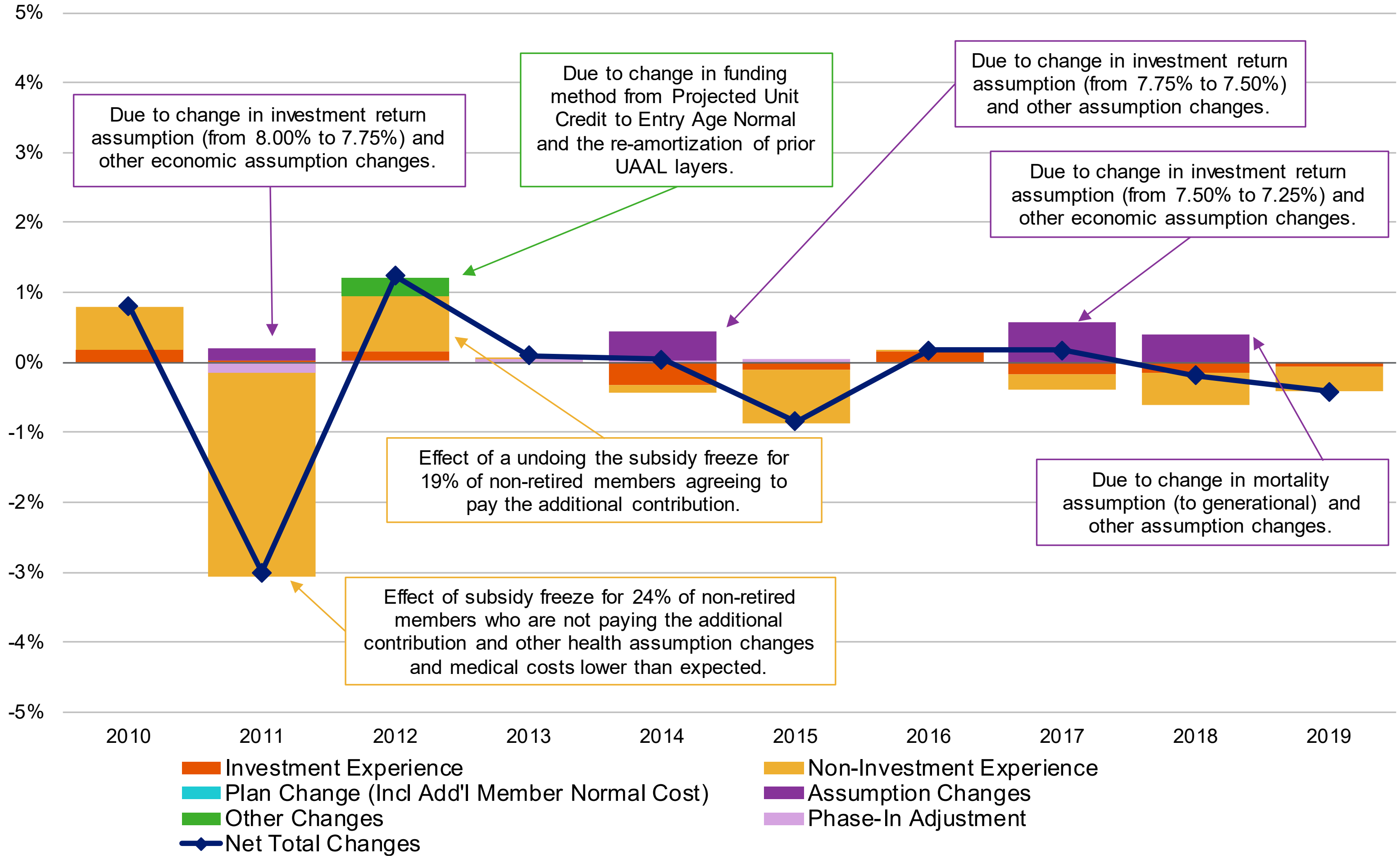
Factors that Affected Employer Contribution Rates in June 30, 2010 to 2019 Valuations (% of Payroll – Contributions Received on July 15)



Note: The primary source of investment losses starting in the June 30, 2009 valuation is the Great Recession, which was recognized in the valuation value of assets over several years.

HEALTH PLAN

Factors that Affected Employer Contribution Rates in June 30, 2010 to 2019 Valuations (% of Payroll – Contributions Received on July 15)



Assessment of Primary Risk Factors Going Forward

As discussed in the Evaluation of Historical Trends section, in the 2010 to 2019 valuations the funded ratios and the employer contribution rates have changed mainly as a result of changes in actuarial assumptions, investment experience, and non-investment experience.

In general, we anticipate the following risk factors to have an ongoing influence on those financial metrics in our future valuations:

- Asset/liability mismatch risk – the potential that future plan experience does not affect asset and liability values in the same way, causing them to diverge.

  The most significant asset/liability mismatch risk to LACERS is investment risk, as defined below. In fact, investment risk has the potential to impact asset/liability mismatch in two ways. The first mismatch is evident in annual valuations: when asset values deviate from assumptions, those changes are essentially independent from liability changes. The second mismatch can be caused when systemic asset deviations from assumptions may signal the need for an assumption change, which causes liability values and contribution rates to move in the opposite direction from the experience of the asset values.

  Asset/liability mismatch can also be caused by longevity and other demographic assumption risks, which affect liabilities but have no impact on asset levels. These risks are also discussed below.

  It may be informative to use the asset volatility and liability volatility ratios and associated contribution rate impacts provided in the following Plan Maturity Measures section when discussing with the City the effect of unfavorable or favorable actuarial experience on the assets and the liabilities of LACERS.

- Investment risk – the potential that future market returns will be different from the current expected 7.25% annual return assumption.

  The investment return assumption is a long-term, deterministic assumption for valuation purposes even though in reality market experience can be quite volatile in any given year. We have included deterministic scenario tests later in this section so that LACERS can better understand the risk associated with earning either more or less than the assumed rate.

  Even though the Board has a policy of reviewing the investment return and the other actuarial assumptions generally every three years, the next triennial experience study (recommending assumptions for the June 30, 2020 actuarial valuations) is scheduled to be performed in 2020. This was based on a decision made by the Board when we performed our review of all the assumptions before the June 30, 2018 valuations.

- Longevity and other demographic risks – the potential that mortality or other demographic experience will be different than expected.

  The change to using generational,[17] headcount-weighted mortality tables was the most major change to the non-economic assumptions in the last experience study. As can be observed from *Charts 2a, 2b, 4a,* and *4b*, there had been relatively small unfavorable impact on the UAAL and employer contribution rates due to non-investment related experience relative to the assumptions used in the last 10 valuations. However, in the last triennial experience study recommending assumptions for the June 30, 2018 valuation, we alerted the Board that it should consider a new benefit-weighted mortality basis[18] when choosing the next mortality table, pending the availability of mortality experience from the Society of Actuaries (SOA) that includes data from public sector retirement plans. In January 2019, the SOA published the public sector mortality tables. While it is premature to estimate the impact of applying those new mortality tables on employer contribution rates until we perform the next triennial experience study recommending assumptions for the June 30, 2020 valuations, the Board should still be aware that there may be some increase in liabilities and contribution rates.

- Contribution risk – the potential that actual future contributions will be different from expected future contributions.

  ASOP 51 does not require the actuary to evaluate the particular ability or willingness of the plan sponsor or other contributing entity to make contributions to the plan when due. However, it does require the actuary to consider the potential for and impact of actual contributions deviating from expected in the future. The City has a well-established practice of making the ADC determined in the annual actuarial valuations, based on the Board of Administration's Actuarial Funding Policy. As a result, in practice LACERS has essentially no contribution risk.

  Furthermore, when ADCs determined in accordance with the LACERS Actuarial Funding Policy are made in the future by the City (and contributions required by the Administrative Code are made by the employees), it is anticipated that the System would have enough assets to provide all future benefits promised to the current members enrolled in the System, if all of the actuarial assumptions used in the valuation are met.

The ASOP also lists interest rate risk as an example of a potential risk to consider. However, the valuations of your Plans' liabilities are not linked directly to market interest rates so the resulting interest rate risk exposure is minimal.

Note that other events that could affect costs going forward, such as future plan changes, are not included herein.

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[17] A generational mortality table provides dynamic projections of mortality experience for each cohort of current and future retirees. For example, the mortality rate for someone who is 65 next year will be slightly less than for someone who is 65 this year. In general, using generational mortality anticipates increases in the cost of the Plan over time as participants' life expectancies are projected to increase. This is in contrast to updating a static mortality assumption with each experience study as we have proposed in prior experience studies.

[18] The Society of Actuaries has published the RP-2014 family of mortality tables and associated mortality improvement scales. Within that family of mortality tables, there are mortality rates developed for annuitants on a "headcount"-weighted basis that weight all retirees at the same age the same way without regard to the level of benefits those annuitants are receiving from a retirement plan. Mortality rates are also developed for annuitants on a "benefit"-weighted basis, with higher credibility assigned to experience from annuitants receiving larger benefits.

Scenario Tests: Deterministic Projections

Since the funded ratio, UAAL and the employer contribution rates have fluctuated as a result of deviation in investment experience in the last 10 valuations, we have examined the risk for LACERS associated with earning either higher or lower than the assumed rate of 7.25% in future valuations using projections under a deterministic approach.

To measure such risk, we have included scenario tests to study the change in the UAAL and contribution rates if LACERS were to earn a market return higher or lower than 7.25% in the next year following the June 30, 2019 valuations. In *Charts 5, 6* and *7*, we show the aggregate employer contribution rates, funded ratios, and UAAL respectively assuming that the System's portfolio market return in 2019/2020 will be as follows: Scenario 1: 14.50%, Scenario 2: 7.25% (baseline) or Scenario 3: 0.00%. In the past, LACERS allowed us to assist the City in their budgeting process by providing a 6-year illustration of the financial position of LACERS assuming the System was to earn the assumed rate of investment return in all future years. The detailed employer contribution rates, funded ratios and UAAL developed for each of the Retirement and Health Plans, and in total, under the baseline Scenario 2, are provided in *Appendix C* of this report for this reason. However, in preparing the illustration for this risk report, we have included results beyond 6 years to illustrate an aspect of the operation of the current funding policy for the Health Plan. Specifically, we note that for the Health Plan, the UAAL contribution rate is expected to drop in the 2024 to 2028 valuations even though there would still be an increase in the UAAL in those years. This is the result of having experience gains that emerged in prior valuations[19] amortized over shorter periods (i.e., 15 years) than the period used for the combined UAAL base from the 2012 valuation (i.e., 23 years). As we have previously discussed with LACERS' staff, the Board could make an adjustment to its funding policy so as to smooth out these projected changes in the employer's rate. Based on a discussion with LACERS' staff, we will bring that issue back for further discussion with the Board.

The following table summarizes the resulting contribution changes (relative to the June 30, 2019 valuation aggregate employer contribution rate of 29.12%) in the immediately next valuation as well as in June 30, 2026 valuations when all of the investment gains and losses are fully recognized in the (smoothed) actuarial value of assets.

	2019/2020 Single Plan-Year Investment Return		
Contribution Rate Change	**14.50%**	**7.25% (Baseline)**	**0.00%**
June 30, 2020	-1.0% of payroll	-0.3% of payroll	+0.4% of payroll
June 30, 2026	-7.6% of payroll	-3.1% of payroll[20]	+2.6% of payroll

[19] This anomaly will be exacerbated under Scenario 1 with a 14.50% return for 2019/2020 and we have leveled out the UAAL contribution rates for those years when the UAAL contribution rate would have become negative [credit].

[20] Primarily due to the June 30, 2009 ERIP amortization layer being fully recognized on June 30, 2024.

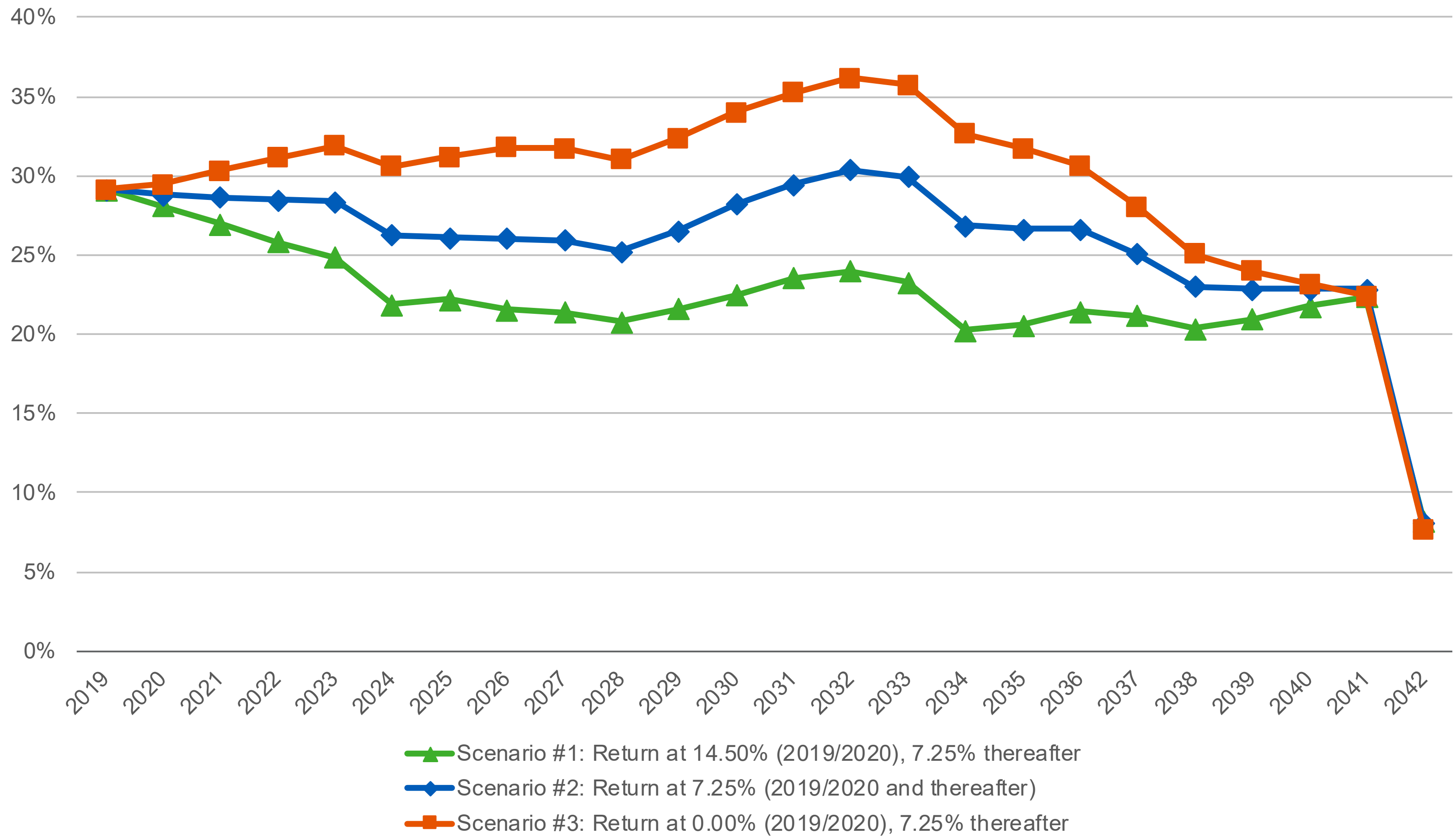
As of June 30, 2019, the longest-duration amortization base is 23 years and will be fully amortized on June 30, 2042. While under the unfavorable (0.00%) hypothetical market return scenario for 2019/2020, the last portion of the deferred investment loss under the seven-year asset smoothing method will be recognized in the June 30, 2026 valuations and paid off in 15 years on June 30, 2041, this is one year earlier than when the 23-year base will be fully amortized. This implies that regardless of the hypothetical market return scenario for 2019/2020, the System would be expected to reach full funding at the end of 23 years and the total employer contribution rate would be expected to approach about 8% of payroll on June 30, 2042.[21]

While we have not assigned a probability on the 2019/2020 market return coming in at these rates, the Board and other stakeholders monitoring LACERS would be able to interpolate in order to estimate the funded status and employer contribution rates for the June 30, 2020 and next several valuations as the actual investment experience for the 2019/2020 year becomes available throughout the year. Additionally, comparable experience in upcoming future years are likely to have a similar impact on the System absent any significant plan or assumption changes.

[21] Assuming no further assumption changes, method changes or experience that differs significantly from assumptions.

RETIREMENT AND HEALTH PLANS

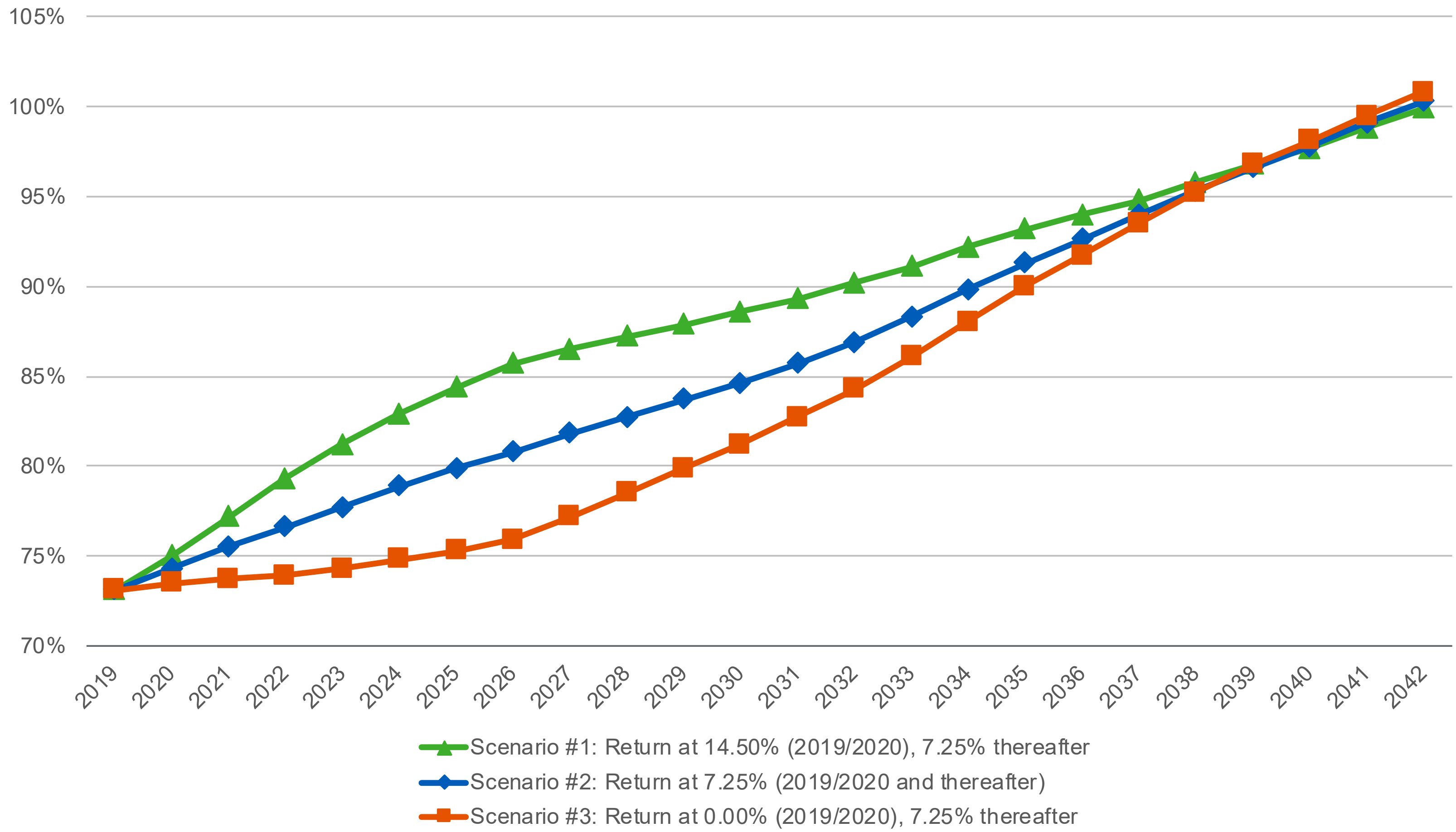
Projected Employer Contribution Rates
Under Three Hypothetical Market Return Scenarios for 2019/2020
for the June 30, 2019 to 2042 Valuations (% of Payroll – Contributions Received on July 15)



Note: The contribution rates under all scenarios would be expected to approach 8% (the projected aggregate Normal Cost rate) on June 30, 2042 when the final amortization base is fully recognized in 23 years.

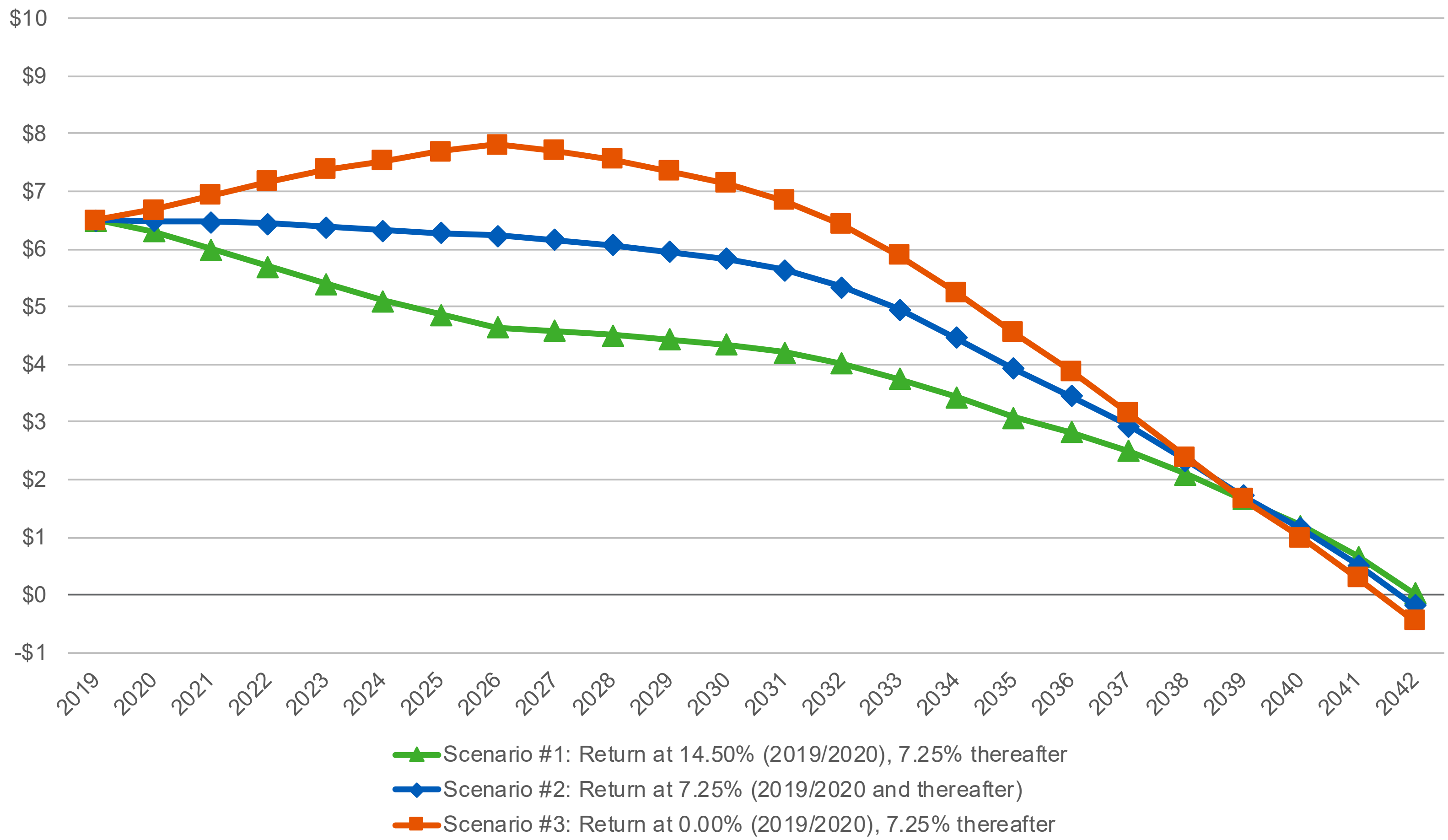
RETIREMENT AND HEALTH PLANS

Projected Funded Ratios (on Valuation Value of Assets)
Under Three Hypothetical Market Return Scenarios for 2019/2020
for the June 30, 2019 to 2042 Valuations



RETIREMENT AND HEALTH PLANS

Projected UAAL (on Valuation Value of Assets) Under Three Hypothetical Market Return Scenarios for 2019/2020 for the June 30, 2019 to 2042 Valuations ($ Billions)



Plan Maturity Measures that Affect Primary Risks

The annual actuarial valuations consider the number and demographic characteristics of covered members, including active members and non-active members (inactive vested, retirees and beneficiaries). In the past 10 valuations from June 30, 2010 to 2019, LACERS has become more mature, indicated by the continued increase in the ratio of non-active to active members covered by the Retirement and Health Plans as shown in *Charts 8a* and *8b*, respectively. The Charts also show the ratio of members in pay status (retirees and beneficiaries) to active members. This ratio excludes the inactive vested members who have relatively smaller liabilities. The increase in the ratios is significant because any increase in UAAL due to unfavorable future investment and non-investment experience for a relatively larger group of non-active members would have to be amortized and funded using the payroll of a relatively smaller group of active members.

Besides the ratio of members in pay status to active members, another indicator of a more mature plan is relatively large amounts of assets and/or liabilities compared to active member payroll, which leads to increasing volatility in the level of required contributions. The **Asset Volatility Ratio (AVR)**, which is equal to the market value of assets divided by total payroll, provides an indication of contribution sensitivity to changes in the current level of assets and is detailed for the Retirement and Health Plans in *Charts 9a* and *9b*, respectively. The **Liability Volatility Ratio (LVR)**, which is equal to the actuarial accrued liability divided by payroll, provides an indication of the contribution sensitivity to changes in the current level of liability and is also detailed for the Retirement and Health Plans in *Charts 9a* and *9b*, respectively. Over time, the AVR should approach the LVR because when a plan is fully funded the assets will equal the liabilities. As such, the LVR also indicates the long-term contribution sensitivity to the asset volatility, as the plan approaches full funding.

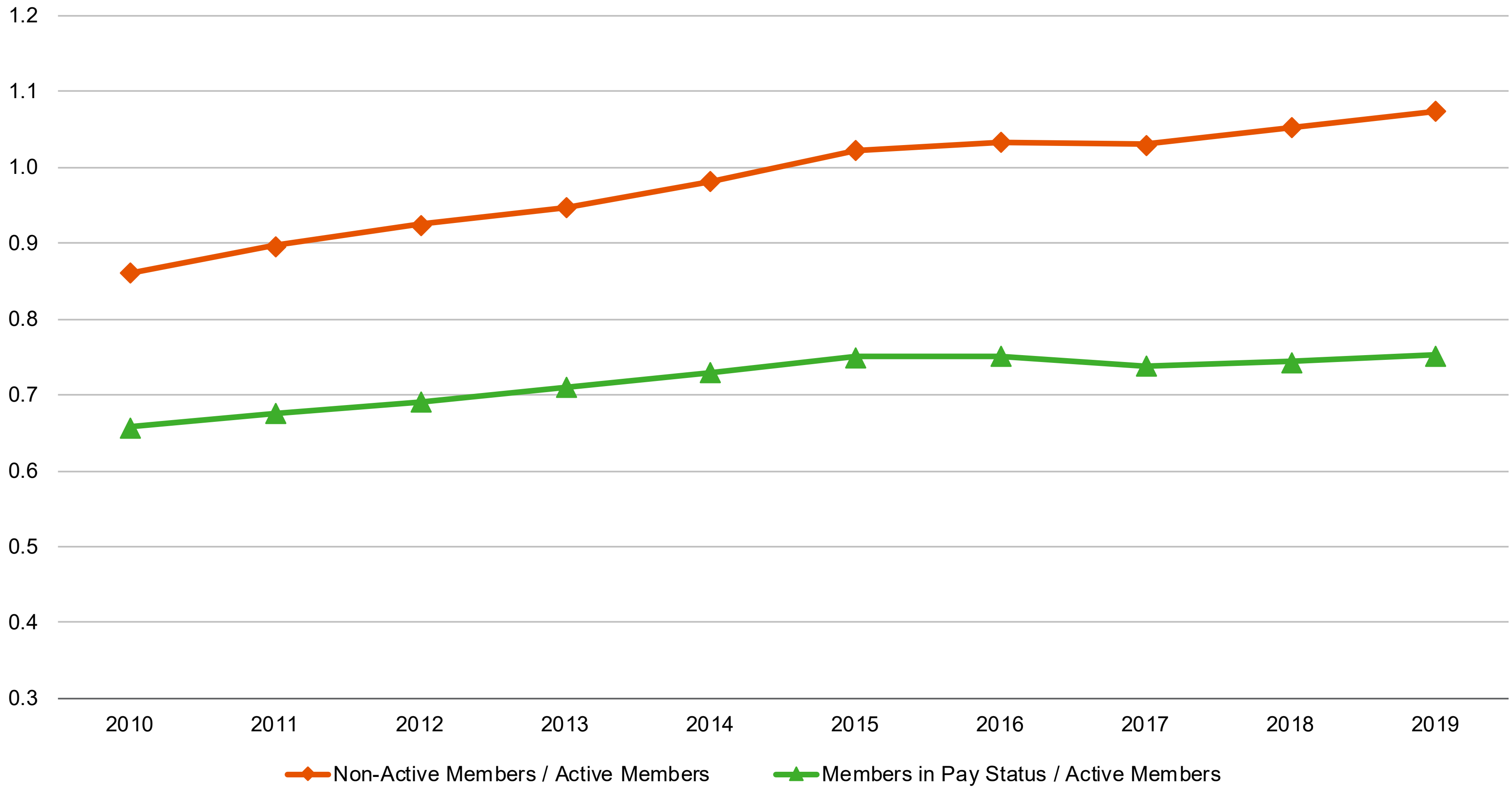
In particular, the Retirement Plan's AVR was 6.7 as of June 30, 2019. This means that a 1% asset gain or loss in 2019/2020 (relative to the assumed investment return) would amount to 6.7% of one year's payroll. Similarly, the Retirement Plan's LVR was 9.3 as of June 30, 2019, so a 1% liability gain or loss in 2019/2020 would amount to 9.3% of one year's payroll.[22] Based on LACERS' policy to amortize actuarial experience over a period of 15 years, there would be a 0.6% of payroll decrease or increase in the required contribution rate for each 1% asset gain or loss, respectively, and a 0.8% of payroll decrease or increase in the required contribution rate for each 1% liability gain or loss, respectively, for the Retirement Plan.

[22] The AVR and the LVR for the Health Plan as of June 30, 2019 are 1.26 and 1.50, respectively, which are considerably different than those ratios noted above for the Retirement Plan.

Chart 8a

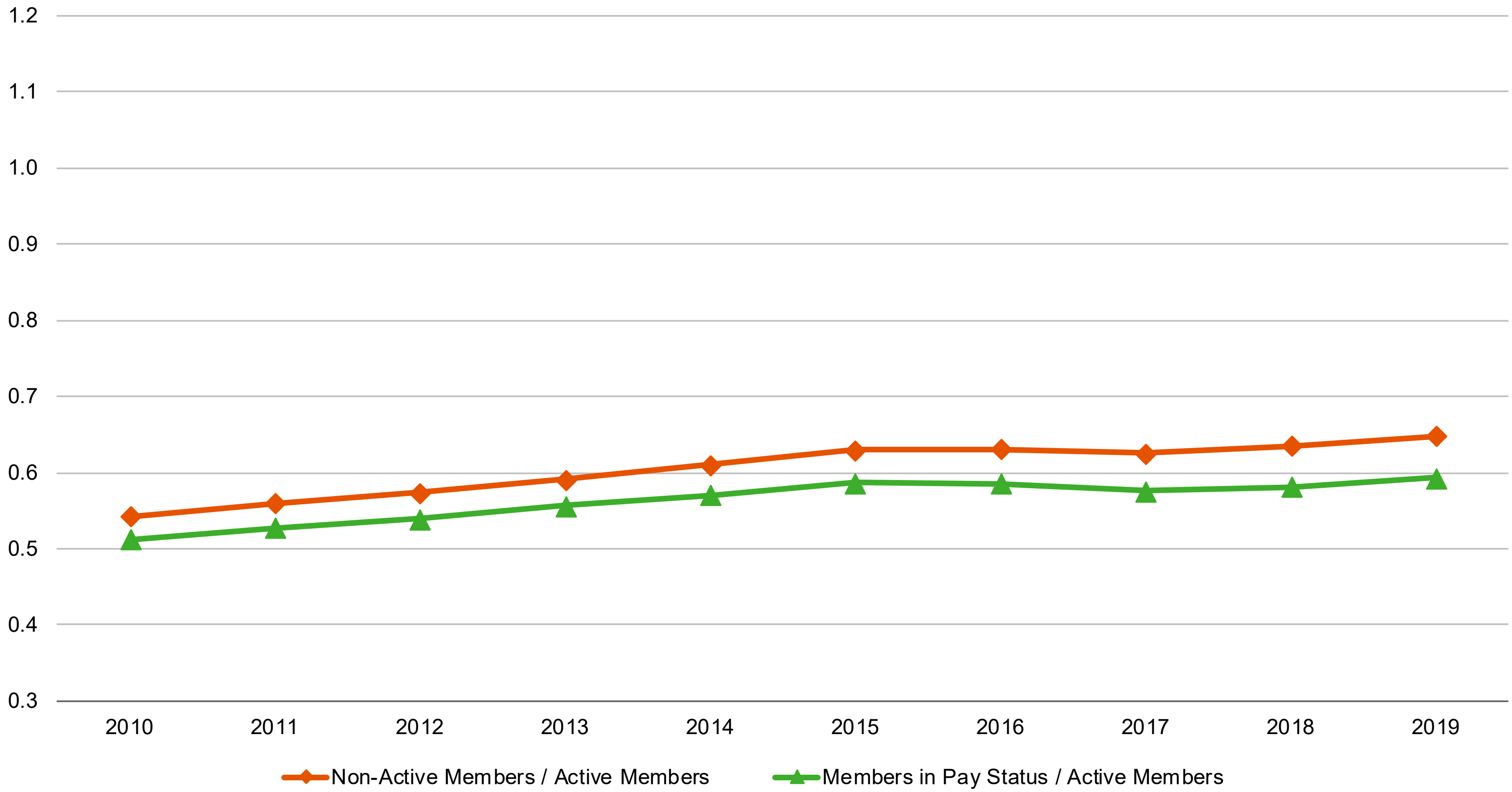
RETIREMENT PLAN

Ratios of Members in Pay-Status (Retirees and Beneficiaries) to Active Members & Non-Active Members (Inactive Vested, Retirees and Beneficiaries) to Active Members in June 30, 2010 to 2019 Valuations



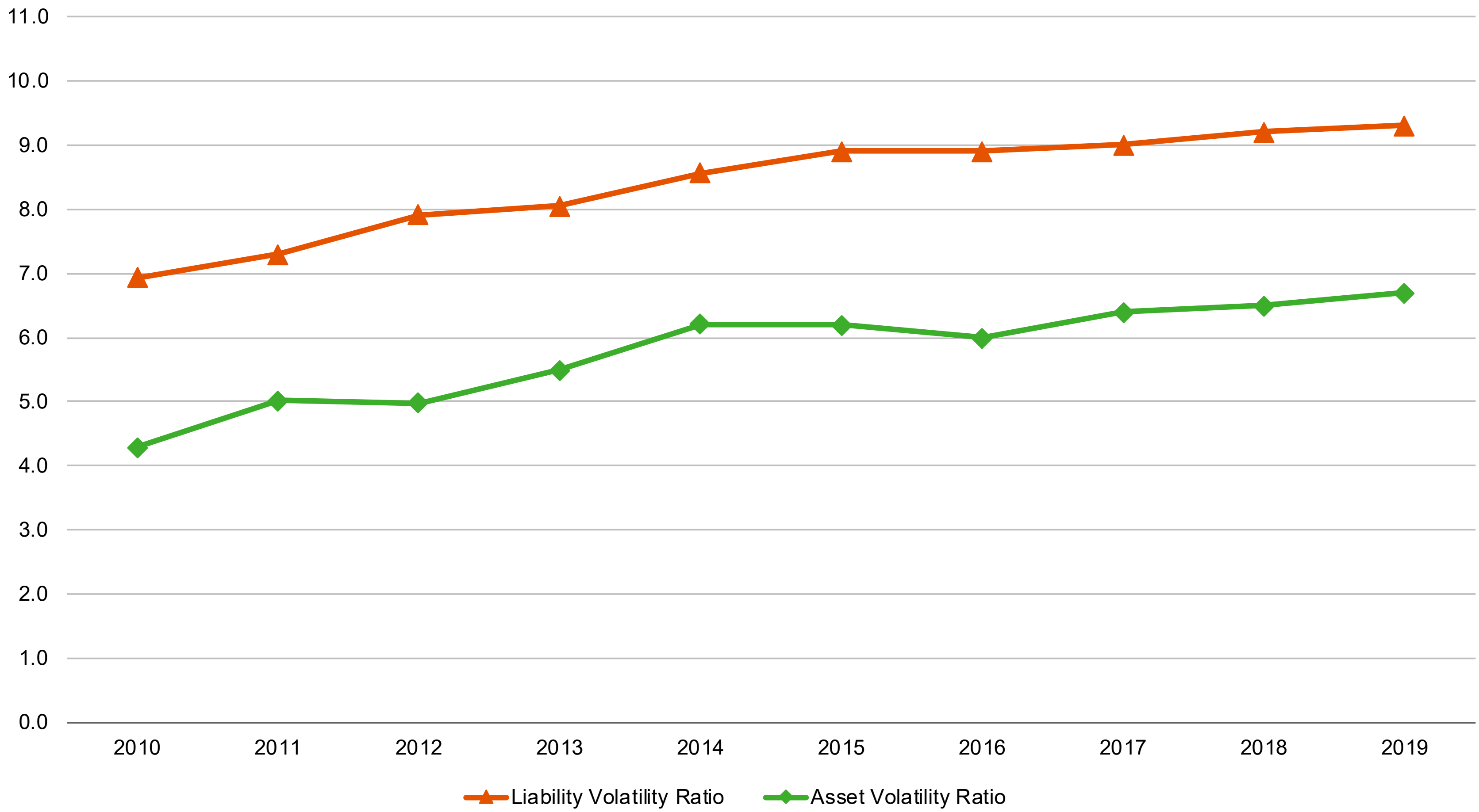
HEALTH PLAN

Ratios of Members in Pay-Status (Retirees and Beneficiaries) to Active Members & Non-Active Members (Inactive Vested, Retirees and Beneficiaries) to Active Members in June 30, 2010 to 2019 Valuations



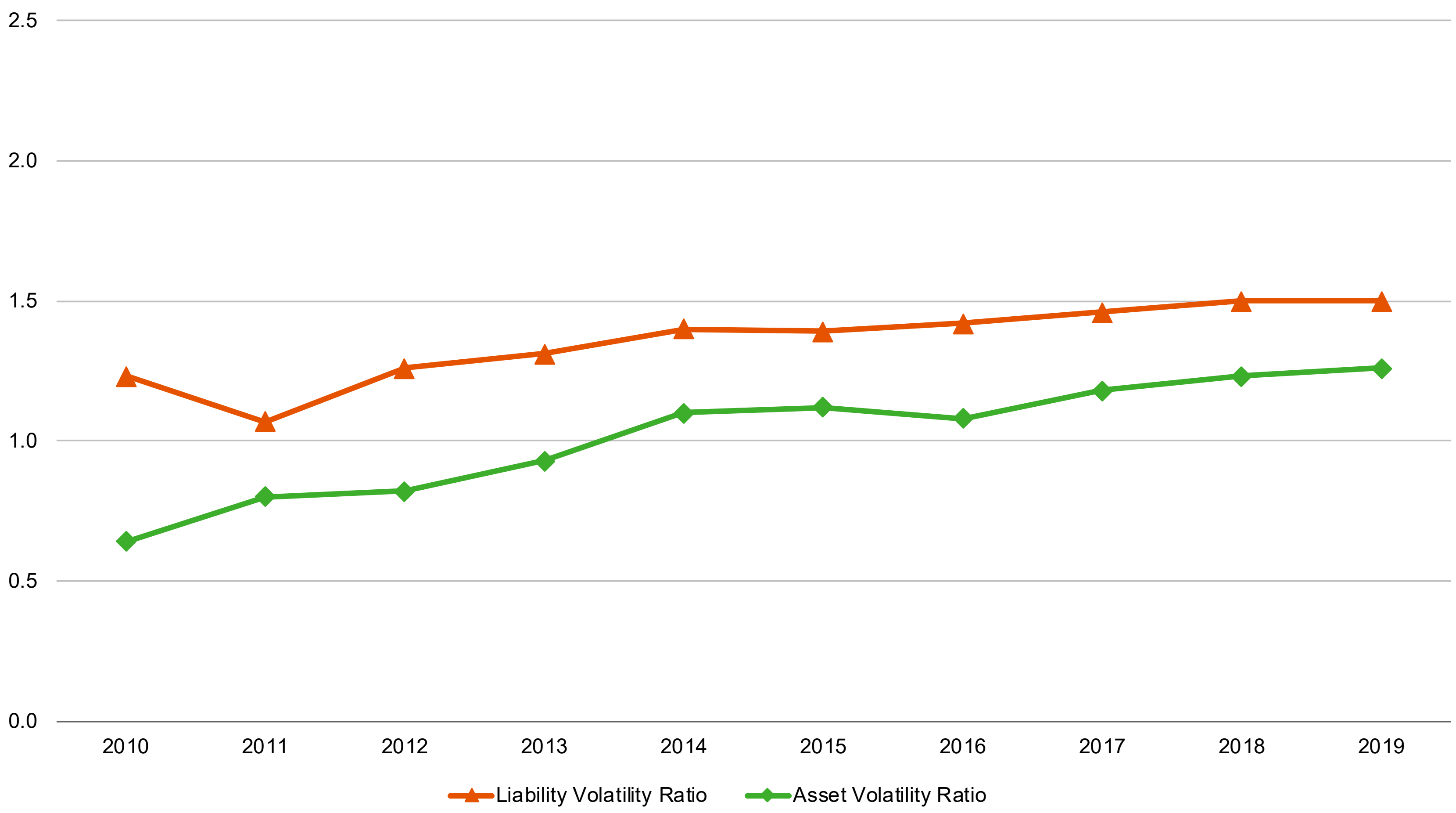
RETIREMENT PLAN

Volatility Ratios in June 30, 2010 to 2019 Valuations



HEALTH PLAN

Volatility Ratios in June 30, 2010 to 2019 Valuations



Appendix: Actuarial Assumptions & Methods, Actuarial Certification, and Detailed Scenario Test Results

Actuarial Assumptions & Methods

Unless otherwise noted, the results included in this report have been prepared based on the assumptions and methods used in preparing the June 30, 2019 valuations.

Deterministic Projection

In addition, we have prepared the deterministic projection using the following assumptions and methods applied in the June 30, 2019 actuarial valuation:

- Non-economic assumptions will remain unchanged.
- Retirement benefit formulas will remain unchanged.
- Los Angeles Charter and Administrative Code will remain unchanged.
- UAAL amortization method will remain unchanged (i.e., 15-year layers for actuarial gains/losses, 20-year layers for assumption or method changes, 30-year layers for actuarial surplus, and level percent of pay).
- Economic assumptions will remain unchanged, including the annual 7.25% investment earnings and 3.50% active payroll growth assumptions.
- Deferred investment gains and losses will be recognized over a seven-year period.
- In estimating the benefit payments for the open group, we have assumed that the annual payments will increase by 5% and 6% for the Retirement and Health Plans, respectively.
- All other actuarial assumptions used in the June 30, 2019 actuarial valuation will be realized.

Other Considerations

The results presented in this report are intended to provide insight into key plan risks that can inform financial preparation and future decision making. However, we emphasize that deterministic projections, by their nature, are not a guarantee of future results. The modeling projections are intended to serve as illustrations of future financial outcomes that are based on the information available to us at the time the modeling is undertaken and completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

Actuarial Certification

The actuarial calculations in this report were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary and Thomas Bergman, ASA, MAAA, Enrolled Actuary.

The actuarial opinions expressed in this report were prepared by Paul Angelo, FSA, MAAA, FCA, Enrolled Actuary, Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary, and Todd Tauzer, FSA, MAAA, FCA, CERA. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Paul Angelo, FSA, MAAA, FCA, EA	Andy Yeung, ASA, MAAA, FCA, EA	Todd Tauzer, FSA, MAAA, FCA, CERA
Senior Vice President and Actuary	Vice President and Actuary	Vice President and Consulting Actuary

Detailed Scenario Test Results

RETIREMENT PLAN

Projection of UAAL, Funded Ratio and City Contributions
(Contributions Received on July 15)
($ In Thousands)

	June 30 of Valuation Year			City Contributions (July 15)					
Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Amortization	Total Rate	Contribution Amount	Incremental Increase
2018	$ 5,962,144	70.1%	2020	$ 2,253,906	6.41%	18.34%	24.75%	$ 557,842	
2019	$ 5,974,857	71.3%	2021	$ 2,303,302	6.25%	18.38%	24.63%	$ 567,303	$ 9,461
2020	$ 5,961,290	72.5%	2022	$ 2,383,918	6.03%	18.25%	24.28%	$ 578,815	$ 11,512
2021	$ 5,929,597	73.8%	2023	$ 2,467,355	5.87%	18.20%	24.07%	$ 593,892	$ 15,077
2022	$ 5,884,657	75.1%	2024	$ 2,553,712	5.72%	18.17%	23.89%	$ 610,082	$ 16,190
2023	$ 5,822,093	76.3%	2025	$ 2,643,092	5.58%	18.13%	23.71%	$ 626,677	$ 16,595
2024	$ 5,739,980	77.6%	2026	$ 2,735,601	5.43%	16.42%	21.85%	$ 597,729	$ (28,948)
2025	$ 5,677,765	78.7%	2027	$ 2,831,347	5.31%	16.38%	21.69%	$ 614,119	$ 16,390
2026	$ 5,605,598	79.8%	2028	$ 2,930,444	5.19%	16.37%	21.56%	$ 631,804	$ 17,685
2027	$ 5,512,176	80.9%	2029	$ 3,033,009	5.07%	16.35%	21.42%	$ 649,671	$ 17,867
2028	$ 5,395,116	82.0%	2030	$ 3,139,165	4.97%	15.79%	20.76%	$ 651,691	$ 2,020
2029	$ 5,252,785	83.1%	2031	$ 3,249,035	4.87%	16.72%	21.59%	$ 701,467	$ 49,776
2030	$ 5,100,318	84.2%	2032	$ 3,362,752	4.77%	17.60%	22.37%	$ 752,248	$ 50,781
2031	$ 4,885,726	85.4%	2033	$ 3,480,448	4.69%	18.75%	23.44%	$ 815,817	$ 63,569
2032	$ 4,603,745	86.7%	2034	$ 3,602,264	4.60%	19.26%	23.86%	$ 859,500	$ 43,683
2033	$ 4,236,500	88.2%	2035	$ 3,728,343	4.52%	18.60%	23.12%	$ 861,993	$ 2,493
2034	$ 3,798,391	89.7%	2036	$ 3,858,835	4.45%	15.61%	20.06%	$ 774,082	$ (87,911)
2035	$ 3,329,226	91.3%	2037	$ 3,993,894	4.38%	15.39%	19.77%	$ 789,593	$ 15,511
2036	$ 2,923,317	92.6%	2038	$ 4,133,680	4.32%	15.41%	19.73%	$ 815,575	$ 25,982
2037	$ 2,475,177	93.9%	2039	$ 4,278,359	4.25%	14.32%	18.57%	$ 794,491	$ (21,084)
2038	$ 1,970,557	95.3%	2040	$ 4,428,102	4.19%	12.70%	16.89%	$ 747,906	$ (46,585)
2039	$ 1,455,426	96.6%	2041	$ 4,583,085	4.14%	12.59%	16.73%	$ 766,750	$ 18,844
2040	$ 957,328	97.8%	2042	$ 4,743,493	4.09%	12.62%	16.71%	$ 792,638	$ 25,888
2041	$ 407,398	99.1%	2043	$ 4,909,515	4.05%	12.63%	16.68%	$ 818,907	$ 26,269
2042	$ (205,095)	100.4%	2044	$ 5,081,349	4.02%	-0.22%	3.80%	$ 193,091	$ (625,816)

Detailed Scenario Test Results

HEALTH PLAN

Projection of UAAL, Funded Ratio and City Contributions
(Contributions Received on July 15)
($ In Thousands)

	June 30 of Valuation Year				City Contributions (July 15)				
Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Amortization	Total Rate	Contribution Amount	Incremental Increase
2018	$ 627,984	80.7%	2020	$ 2,253,906	3.44%	1.47%	4.91%	$ 110,667	
2019	$ 521,637	84.4%	2021	$ 2,303,302	3.45%	1.04%	4.49%	$ 103,418	$ (7,249)
2020	$ 523,497	85.1%	2022	$ 2,383,918	3.51%	1.00%	4.51%	$ 107,515	$ 4,097
2021	$ 536,123	85.5%	2023	$ 2,467,355	3.56%	1.00%	4.56%	$ 112,511	$ 4,996
2022	$ 549,675	85.9%	2024	$ 2,553,712	3.60%	1.00%	4.60%	$ 117,471	$ 4,960
2023	$ 563,185	86.2%	2025	$ 2,643,092	3.65%	1.00%	4.65%	$ 122,904	$ 5,433
2024	$ 577,218	86.6%	2026	$ 2,735,601	3.69%	0.70%	4.39%	$ 120,093	$ (2,811)
2025	$ 599,089	86.8%	2027	$ 2,831,347	3.73%	0.70%	4.43%	$ 125,429	$ 5,336
2026	$ 623,159	86.9%	2028	$ 2,930,444	3.77%	0.70%	4.47%	$ 130,991	$ 5,562
2027	$ 648,297	87.0%	2029	$ 3,033,009	3.80%	0.71%	4.51%	$ 136,789	$ 5,798
2028	$ 674,241	87.1%	2030	$ 3,139,165	3.84%	0.63%	4.47%	$ 140,321	$ 3,532
2029	$ 701,329	87.2%	2031	$ 3,249,035	3.87%	1.09%	4.96%	$ 161,152	$ 20,831
2030	$ 731,974	87.3%	2032	$ 3,362,752	3.90%	1.92%	5.82%	$ 195,712	$ 34,560
2031	$ 748,106	87.6%	2033	$ 3,480,448	3.93%	2.09%	6.02%	$ 209,523	$ 13,811
2032	$ 734,540	88.4%	2034	$ 3,602,264	3.95%	2.55%	6.50%	$ 234,147	$ 24,624
2033	$ 710,899	89.3%	2035	$ 3,728,343	3.98%	2.83%	6.81%	$ 253,900	$ 19,753
2034	$ 665,468	90.4%	2036	$ 3,858,835	4.00%	2.80%	6.80%	$ 262,401	$ 8,501
2035	$ 601,752	91.7%	2037	$ 3,993,894	4.02%	2.84%	6.86%	$ 273,981	$ 11,580
2036	$ 530,740	93.0%	2038	$ 4,133,680	4.04%	2.85%	6.89%	$ 284,811	$ 10,830
2037	$ 448,853	94.3%	2039	$ 4,278,359	4.06%	2.45%	6.51%	$ 278,521	$ (6,290)
2038	$ 356,374	95.7%	2040	$ 4,428,102	4.08%	2.06%	6.14%	$ 271,885	$ (6,636)
2039	$ 271,169	96.8%	2041	$ 4,583,085	4.10%	2.03%	6.13%	$ 280,943	$ 9,058
2040	$ 194,421	97.8%	2042	$ 4,743,493	4.11%	2.03%	6.14%	$ 291,250	$ 10,307
2041	$ 109,717	98.8%	2043	$ 4,909,515	4.12%	2.03%	6.15%	$ 301,935	$ 10,685
2042	$ 15,415	99.8%	2044	$ 5,081,349	4.13%	0.15%	4.28%	$ 217,482	$ (84,453)

Detailed Scenario Test Results

RETIREMENT AND HEALTH PLANS

Projection of UAAL, Funded Ratio and City Contributions
(Contributions Received on July 15)
($ In Thousands)

	June 30 of Valuation Year				City Contributions (July 15)				
Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Amortization	Total Rate	Contribution Amount	Incremental Increase
2018	$ 6,590,128	71.6%	2020	$ 2,253,906	9.85%	19.81%	29.66%	$ 668,509	
2019	$ 6,496,494	73.1%	2021	$ 2,303,302	9.70%	19.42%	29.12%	$ 670,721	$ 2,212
2020	$ 6,484,787	74.3%	2022	$ 2,383,918	9.54%	19.25%	28.79%	$ 686,330	$ 15,609
2021	$ 6,465,720	75.5%	2023	$ 2,467,355	9.43%	19.20%	28.63%	$ 706,403	$ 20,073
2022	$ 6,434,332	76.6%	2024	$ 2,553,712	9.32%	19.17%	28.49%	$ 727,553	$ 21,150
2023	$ 6,385,278	77.7%	2025	$ 2,643,092	9.23%	19.13%	28.36%	$ 749,581	$ 22,028
2024	$ 6,317,198	78.9%	2026	$ 2,735,601	9.12%	17.12%	26.24%	$ 717,822	$ (31,759)
2025	$ 6,276,854	79.9%	2027	$ 2,831,347	9.04%	17.08%	26.12%	$ 739,548	$ 21,726
2026	$ 6,228,757	80.8%	2028	$ 2,930,444	8.96%	17.07%	26.03%	$ 762,795	$ 23,247
2027	$ 6,160,473	81.8%	2029	$ 3,033,009	8.87%	17.06%	25.93%	$ 786,460	$ 23,665
2028	$ 6,069,357	82.7%	2030	$ 3,139,165	8.81%	16.42%	25.23%	$ 792,012	$ 5,552
2029	$ 5,954,114	83.7%	2031	$ 3,249,035	8.74%	17.81%	26.55%	$ 862,619	$ 70,607
2030	$ 5,832,292	84.6%	2032	$ 3,362,752	8.67%	19.52%	28.19%	$ 947,960	$ 85,341
2031	$ 5,633,832	85.7%	2033	$ 3,480,448	8.62%	20.84%	29.46%	$ 1,025,340	$ 77,380
2032	$ 5,338,285	86.9%	2034	$ 3,602,264	8.55%	21.81%	30.36%	$ 1,093,647	$ 68,307
2033	$ 4,947,399	88.3%	2035	$ 3,728,343	8.50%	21.43%	29.93%	$ 1,115,893	$ 22,246
2034	$ 4,463,859	89.8%	2036	$ 3,858,835	8.45%	18.41%	26.86%	$ 1,036,483	$ (79,410)
2035	$ 3,930,978	91.3%	2037	$ 3,993,894	8.40%	18.23%	26.63%	$ 1,063,574	$ 27,091
2036	$ 3,454,057	92.6%	2038	$ 4,133,680	8.36%	18.26%	26.62%	$ 1,100,386	$ 36,812
2037	$ 2,924,030	94.0%	2039	$ 4,278,359	8.31%	16.77%	25.08%	$ 1,073,012	$ (27,374)
2038	$ 2,326,931	95.3%	2040	$ 4,428,102	8.27%	14.76%	23.03%	$ 1,019,791	$ (53,221)
2039	$ 1,726,595	96.6%	2041	$ 4,583,085	8.24%	14.62%	22.86%	$ 1,047,693	$ 27,902
2040	$ 1,151,749	97.8%	2042	$ 4,743,493	8.20%	14.65%	22.85%	$ 1,083,888	$ 36,195
2041	$ 517,115	99.1%	2043	$ 4,909,515	8.17%	14.66%	22.83%	$ 1,120,842	$ 36,954
2042	$ (189,680)	100.3%	2044	$ 5,081,349	8.15%	-0.07%	8.08%	$ 410,573	$ (710,269)

Historical Funded Status, UAAL, and Employer Contribution Rates

RETIREMENT AND HEALTH PLANS

	Market Value Basis		Valuation Value Basis		Total (Aggregate) Employer Contribution Rate (% of Payroll – Contributions Received on July 15)[1]
Valuation Date	**Funded Status**	**UAAL**	**Funded Status**	**UAAL**	
June 30, 2010	60.5%	$5.9B	74.0%	$3.8B	27.66%
June 30, 2011	69.4%	$4.7B	73.2%	$4.1B	24.14%
June 30, 2012	63.3%	$6.1B	69.4%	$5.1B	25.33%
June 30, 2013	68.7%	$5.4B	69.1%	$5.3B	26.56%
June 30, 2014	73.4%	$5.0B	68.1%	$6.0B	28.60%
June 30, 2015	71.9%	$5.5B	70.7%	$5.7B	27.62%
June 30, 2016	69.0%	$6.3B	72.6%	$5.5B	27.13%
June 30, 2017	72.8%	$5.8B	72.8%	$5.8B	28.16%
June 30, 2018	72.9%	$6.3B	71.6%	$6.6B	29.66%
June 30, 2019	73.1%	$6.5B	73.1%	$6.5B	29.12%

[1] For the June 30, 2011 – 2014 valuation dates, the rates shown are with adjustment for the five-year phase-in of the increase in the employer contribution rates due to assumption changes from the 2011 experience study. The rates without adjustment for those years were 25.25%, 26.17%, 27.11%, and 28.88%, respectively.

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION **MEETING: FEBRUARY 25, 2020**
From: Rahoof "Wally" Oyewole, Dept. Audit Manager **ITEM: VII-B**

Rahoof Oyewole

SUBJECT: **REQUEST FOR PROPOSALS FOR EXTERNAL AUDIT SERVICES AND POSSIBLE BOARD ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Board authorize the General Manager to release the Request for Proposal (RFP) for external audit services.

Executive Summary

Staff is seeking the Board's authorization to release an RFP for LACERS' External Auditor. The contract with the current External Auditor, Brown Armstrong Accountancy Corporation (Brown Armstrong), will expire in June 2020. Given that the current Auditor has provided services to LACERS for over a decade, it is prudent to solicit the marketplace and consider proposals from interested and qualified audit firms. The RFP process will take about four months to complete, with a recommendation for contract award expected to be brought to the Board in June 2020.

Discussion

Background

LACERS utilizes the services of an external auditor to audit LACERS' annual financial statements prepared pursuant to the City Charter Section 1158(d). Financial statements audits are conducted in accordance with Generally Accepted Auditing Standards, and results in the publication of an independent opinion by the auditor on whether the financial statements are fairly presented. Audited financial statements are necessary to comply with Section 7504.c of California Government Code which requires that all California Public Retirement Systems furnish audited financial statements to the State Controller annually within six months of the close of each fiscal year. The City also requires information from LACERS audited financial statements to be included in the Citywide Comprehensive Annual Financial Report (CAFR).

In June 2011, as a result of an RFP process, the Board approved a three-year contract with Brown Armstrong for external audit services. In June 2014, the Board authorized a two-year extension to provide stability during the go-live of the Department's Pension Administration System, as well as to ensure successful implementation of two new Governmental Accounting Standards Board (GASB) Statements, No. 67 (*Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25)* and No. 74 (*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans)*. Although a new RFP was initiated in June 2016, the process was later canceled due to low response, and Brown Armstrong's contract was extended for another two years. With the most recent extension expiring in June 2020, this is a good time to issue a new RFP.

Scope of Required Audit and Related Services

The proposed RFP seeks proposals from qualified firms with in-depth knowledge, experience and expertise in auditing public pension plans. Firms submitting proposals must have previous experience in auditing large governmental agencies/retirement systems with at least one billion dollars in plan net assets. Firms must also propose an engagement partner licensed to practice in the State of California as a certified public accountant to lead LACERS' financial audit engagements.

The required audit services will include: (1) perform the audit to express an opinion on fair presentation of LACERS' basic financial statements (Retirement Plan & Postemployment Health Care Plan); (2) perform the audit to express an opinion on schedules related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; (3) issue a separate audit opinion on Section 115 Trust Fund financial statements; and (4) provide ongoing advisory services regarding GASB pension accounting and reporting requirements, as well as technical matters related to filing for the Certificate in Excellence in Financial Reporting from the Governmental Finance Officers Association.

As part of the audit engagement, the independent auditor will be required to:

- Test an appropriate sample of: (1) active member accounts for verification of service credit and total on deposit, (2) benefits granted during the year which include service retirements, active death survivorships and lump-sum payments, (3) disability payments.

- Select sample records of the active, inactive, and retired participants, and test the underlying data of selected participants to obtain sufficient appropriate evidence that the census data reported to the actuary is complete and accurate.

- Examine investments to ascertain the documented existence of securities, to verify cost data with accounting records, and to review the accumulation of reported cost, book value, and market value of the various investment portfolios.

- Review "subsequent events" of LACERS as required annually by the City Controller to match the closing date on the Citywide financial statements.

- Issue a Management Letter to the Board and/or the Audit Committee (Committee) on internal control deficiencies discovered during the audit and opportunities for cost reduction and efficiency in operations.

- Present audited financial statements and other reports to the Committee and/or the full Board.

Staff will evaluate submitted proposals and conduct due diligence reviews. Consistent with the Audit Committee Charter, staff will present respondents and/or finalists to the Committee for interview, with the Committee recommending one firm to the Board for contract award. The RFP will be advertised in the Daily Journal and made available on the Department's website and the Los Angeles Business Assistance Virtual Network (BAVN). The anticipated time of completion is four months, and it is expected that a contract award recommendation will be brought to the Board in June 2020, prior to the beginning of the next audit cycle in July 2020.

Fees

LACERS paid Brown Armstrong approximately $98,000 for audit services for the most recent fiscal year ended June 30, 2019. Each proposer will be required to provide a single fixed annual audit fee to include all out-of-pocket type expenses for each year. Proposers would also be required to provide a fully-burdened hourly rate by professional classification for any as-needed management consulting type services.

Strategic Plan Impact Statement

The Board Governance Goal is to "uphold good governance practices which affirm transparency, accountability and fiduciary duty." The external auditor helps the Board in meeting this goal by providing the Board and other LACERS stakeholders an independent assurance that the financial statements prepared by management present a 'true and fair' view of LACERS' financial position and results of operations in conformity with generally accepted accounting principles and all applicable federal and state laws, regulations and rules.

Prepared By: Rahoof "Wally" Oyewole, Departmental Audit Manager

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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 25, 2020
ITEM: IX – B

SUBJECT: **INVESTMENT MANAGER CONTRACT WITH AEGON USA INVESTMENT MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. HIGH YIELD FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Board:

1. Approve a one-year contract extension with Aegon USA Investment Management, LLC for the management of an active U.S. high yield fixed income portfolio.
2. Authorize the Executive Officer to approve and execute the necessary documents, subject to satisfactory business and legal terms.

Discussion

On February 11, 2020, the Committee considered the attached staff report (Attachment 1) recommending a one-year contract extension with Aegon USA Investment Management, LLC (AUIM). AUIM has managed an active U.S. high yield fixed income portfolio for LACERS since June 2013, and the current contract expires on March 31, 2020.

AUIM rebid for its mandate in the current High Yield Fixed Income and Hybrid High Yield Fixed Income/U.S. Floating Rate Bank Loan Mandate Search. The firm was selected as one of three finalists for the high yield strategy and was interviewed by the Committee, but was not advanced for Board consideration. Therefore, staff recommends a one-year contract extension with AUIM to maintain exposure to the U.S. high yield fixed income market until a contract with the firm hired through the current search is executed.

Strategic Plan Impact Statement

A contract extension with Aegon USA Investment Management, LLC will allow the fund to maintain a diversified exposure to the U.S. high yield fixed income market, which is expected to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure is consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: James Wang, Investment Officer I, Investment Division
Jeremiah Paras, Investment Officer I, Investment Division

RJ/BF/JW/JP

Attachments: 1. Investment Committee Recommendation Report dated February 11, 2020
2. Proposed Resolution

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE
From: Lita Payne, Executive Officer Lita Payne

MEETING: FEBRUARY 11, 2020
ITEM: IV

SUBJECT: **INVESTMENT MANAGER CONTRACT WITH AEGON USA INVESTMENT MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. HIGH YIELD FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Committee recommend to the Board a one-year contract extension with Aegon USA Investment Management, LLC for the management of an active U.S. high yield fixed income portfolio.

Executive Summary

Aegon USA Investment Management, LLC (AUIM) has managed an active U.S. high yield fixed income portfolio for LACERS since June 2013. LACERS' portfolio was valued at $392 million as of January 31, 2020. AUIM rebid for its mandate in the 2019-2020 active U.S. high yield fixed income investment manager search that is currently in progress. The firm was selected as one of three finalists and interviewed by the Committee, but was not advanced for Board consideration. Therefore, staff recommends a one-year contract extension with AUIM to maintain exposure to the U.S. high yield fixed income market until contract(s) with the firm(s) hired through the current search is executed.

Discussion

Background
The Board hired AUIM in June 2013 to manage an active U.S. high yield fixed income portfolio benchmarked against the Bloomberg Barclays U.S. Corporate High Yield 2% Capped Index. AUIM employs a fundamental research-based investing strategy that is guided by the macroeconomic environment. The investment process consists of three steps: 1) analysis of global macroeconomics, interest rates, and asset allocation; 2) credit research and security selection; and 3) portfolio construction. Investment risks are monitored and reviewed throughout the process. The strategy is managed by a team of four portfolio managers led by Jim Schaeffer, Deputy CIO and Co-Head of Fixed Income. LACERS' portfolio was valued at $392 million as of January 31, 2020. The current contract expires on March 31, 2020.

On October 23, 2018, the Board approved a high yield fixed income and hybrid high yield/bank loan investment manager search to evaluate the current marketplace for these types of strategies. AUIM rebid for the high yield portion of this search and was selected as one of three finalist candidates. On January 21, 2020, the Committee interviewed the finalist firms and determined not to advance AUIM for Board consideration and contract award. A one-year extension to AUIM's current contract will allow the LACERS investment portfolio to maintain U.S. high yield fixed income exposure until the new contract(s) with the firm(s) selected by Board is executed.

Organization

AUIM has 321 employees and is headquartered in Cedar Rapids, Iowa. The firm is a wholly-owned subsidiary of Aegon N.V., a multinational insurance and financial services company. As of September 30, 2019, AUIM had $101.5 billion of total assets under management, with $7.7 billion of assets under management in the U.S. high yield fixed income strategy.

Due Diligence

AUIM's investment philosophy, strategy, and process have not changed since the inception of the contract in 2013. Due to a regulatory agency investigation, AUIM was placed on "On Watch" status on October 5, 2017, for an initial one-year period pursuant to the LACERS Manager Monitoring Policy. The regulatory investigation was settled satisfactorily in August 2018. To mitigate organizational risks, Gary Black, former CEO of AUIM, committed to enhancing transparency and critical functional areas such as compliance. Upon expiration of the initial one-year watch period, staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, retained AUIM on "On Watch" status for an additional one-year period to evaluate improvements in the business culture.

In July 2019, Mr. Black left the firm and Christopher Thompson was named interim CEO. Staff and NEPC conducted further due diligence and determined to retain AUIM on "On Watch" status to evaluate ongoing organizational risks. Mr. Thompson was named permanent CEO in December 2019. The strategy's portfolio management team and performance have not been adversely impacted by these issues.

Performance

As of January 31, 2020, AUIM has outperformed its benchmark, for most time periods with the exception of the 5-year period, as presented in the table below.

Annualized Performance, Unaudited as of 1/31/20 (Net-of-Fees)						
	3-Month	1-Year	2-Year	3-Year	5-Year	Since Inception[1]
AUIM	2.54	9.67	5.51	6.00	5.91	6.01
Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index	2.36	9.40	5.50	5.86	6.01	5.94
% of Excess Return	*0.18*	*0.27*	*0.01*	*0.14*	*-0.10*	*0.07*

[1]Inception Date: 6/30/2013

Calendar year performance is presented in the table below as supplemental information.

Calendar Year Performance, Unaudited as of 1/31/20 (Net-of-Fees)						
	1/1/20-1/31/20	2019	2018	2017	2016	2015
AUIM	-0.03	14.75	-2.21	7.85	15.41	-3.94
Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index	0.03	14.32	-2.08	7.50	17.13	-4.43
% of Excess Return	*-0.06*	*0.43*	*-0.13*	*0.35*	*-1.72*	*0.49*

Fees
LACERS pays AUIM an effective fee of 37.8 basis points (0.38%), which is approximately $1.5 million annually based on the value of LACERS' assets as of January 31, 2020. The fee ranks in the 21st percentile of fees charged by similar managers in the eVestment U.S. High Yield Fixed Income Universe (i.e., 79% of like-managers have higher fees).

General Fund Consultant Opinion
NEPC concurs with this recommendation.

Strategic Plan Impact Statement

A contract extension with Aegon USA Investment Management, LLC will allow the fund to maintain a diversified exposure to the U.S. high yield fixed income market, which is expected to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure is consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: James Wang, Investment Officer I, Investment Division
Jeremiah Paras, Investment Officer I, Investment Division

RJ/BF/JW/JP

Attachment: 1. Consultant Recommendation – NEPC

CONTRACT EXTENSION
AEGON USA INVESTMENT MANAGEMENT, LLC
ACTIVE U.S. HIGH YIELD FIXED INCOME PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current one-year contract extension with Aegon USA Investment Management, LLC (AUIM) for active U.S. high yield fixed income portfolio management expires on March 31, 2020; and,

WHEREAS, AUIM rebid for its mandate in the current High Yield Fixed Income and Hybrid High Yield Fixed Income/U.S. Floating Rate Bank Loan Mandate Search but was not advanced for Board consideration and contract award; and,

WHEREAS, a contract extension with AUIM will allow the fund to maintain a diversified exposure to the U.S. high yield fixed income market until a contract with the firm hired through the current search is executed; and,

WHEREAS, on February 25, 2020, the Board approved the Investment Committee's recommendation to approve a one-year contract extension with AUIM.

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:

Company Name:	Aegon USA Investment Management, LLC
Service Provided:	Active U.S. High Yield Fixed Income Portfolio Management
Effective Dates:	April 1, 2020 through March 31, 2021
Duration:	One year
Benchmark:	Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index
Allocation as of January 31, 2020:	$392 million

February 25, 2020

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION
From: Lita Payne, Executive Officer Lita Payne

MEETING: FEBRUARY 25, 2020
ITEM: IX – C

SUBJECT: **CONSENT OF ASSIGNMENT OF TORREYCOVE CAPITAL PARTNERS LLC CONTRACT AND POSSIBLE BOARD ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Board consent to the assignment of TorreyCove Capital Partners LLC private equity consulting contract and authorize the Executive Officer to sign the written consent on behalf of the Board.

Executive Summary

TorreyCove Capital Partners LLC has entered into an acquisition agreement with Aksia LLC. Under the Investment Advisers Act of 1940, a change in control of an investment advisory firm is deemed to be a contract assignment that requires written consent of the client. The change in ownership requires the Board's approval for the assignment of the contract.

Discussion

Background
TorreyCove Capital Partners LLC (TorreyCove), has served as LACERS' Private Equity Consultant since July 2018. The firm was founded in 2011 by David Fann, Michelle Davidson, Kara King, and Thomas Martin. TorreyCove has $75 billion in assets under advisement, 66 professional staff, and offices in San Diego (headquarters) and Boston. Currently, TorreyCove is 100% employee owned.

In a letter dated January 13, 2020, TorreyCove confirmed that it had entered into an acquisition agreement with Aksia LLC (Aksia). Aksia is a privately held company that provides alternative investment research and portfolio advisory solutions to institutional investors. Aksia has $85 billion of assets under advisement, 177 professional staff, and offices in New York (headquarters), London, Athens, Tokyo, and Hong Kong. Aksia is 100% employee owned. Under the agreement, Aksia will acquire a 100% interest in TorreyCove and David Fann will serve as Vice Chairman within the Aksia organization. Details of Aksia's acquisition are included in Attachment 1.

Under the Investment Advisers Act of 1940, a change in control of an investment advisory firm is deemed to be a contract assignment (a legal transfer of the obligations and benefits of a contract to another party) that requires written consent of the client. The change in ownership is also a triggering event within LACERS' contract with TorreyCove, and therefore requires the Board's approval for the assignment of the contract.

Due Diligence
TorreyCove has assured staff that there will be no changes to TorreyCove's current management team, consulting team assigned to LACERS, or scope of services provided to LACERS. Staff also conducted an on-site due diligence meeting with Aksia to understand its perspective of the TorreyCove acquisition and to evaluate Aksia's organizational resources and capabilities; staff found Aksia to be a well-managed and well-resourced firm and had no material concerns. In addition, since this is an assignment of an existing contract, all terms of LACERS' current contract, including the termination provision, remain intact. Staff believes that this acquisition will not adversely affect TorreyCove's quality of service or investment philosophy for the duration of the contract period.

Strategic Plan Impact Statement

A contract with TorreyCove will assist the fund in maintaining a diversified exposure to private equity, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV). The discussion of the consultant's profile, strategy, performance, and fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

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

RJ/BF/WL/RK/jp

Attachments:
1. TorreyCove Capital Partners LLC Change of Ownership Consent Letter
2. Press Release on Acquisition of TorreyCove Capital Partners LLC
3. Proposed Resolution

TORREYCOVE
CAPITAL PARTNERS

10180 Barnes Canyon Road, Suite 200, San Diego, CA 92121 USA
[O] 858-456-6000 [F] 858-456-6018

January 13, 2020

Rodney June
202 W. First Street, Suite 500
Los Angeles, CA 90012

RE: Positive Consent for Assignment of the Private Equity Consultant Agreement (Contract No. 4183) between Los Angeles City Employees' Retirement System and TorreyCove Capital Partners LLC

Dear Rod,

On January 8, 2020, TorreyCove Capital Partners LLC ("TorreyCove") announced that it has agreed to be acquired by Aksia LLC ("Aksia") subject to customary closing conditions, with the closing of the transaction expected to occur in the first half of 2020.

Senior management, including David Fann, Michelle Davidson, Kara King, Tom Martin and Mike Krems, have signed employment agreements and will continue to serve in senior leadership roles providing continued coverage of your account.

We are very excited about the transaction and believe Los Angeles City Employees' Retirement System will benefit from it for many reasons, as the combined firm will now have:

- **Global Platform**: offices in New York, San Diego, London, Tokyo, Athens, Boston, and Hong Kong advising on over $165 billion in alternative assets
- **Greater Scale and Coverage**: more than 240 professionals globally, of which over 150 are dedicated to investment research, investment advisory, and risk monitoring
- **Broader Capabilities**: large operational due diligence team as well as additional expertise in hedge funds and liquid alternative strategies with expanded private credit capabilities

Under the Investment Advisers Act of 1940, as amended, this transaction could be deemed to constitute a change of control and therefore an "assignment" that requires your consent. In that regard, in order to continue providing you with services, we request that you indicate your consent on the consent form included as Appendix A and return the completed form by March 13, 2020 to Craig Occhialini either via email at cocchialini@torreycove.com or letter (sent via FedEx) to 10180 Barnes Canyon Rd., Ste. 200, San Diego, CA 92121. **If we do not receive your consent by March 13, 2020, or such later date as mutually agreed by you and us in writing, then TorreyCove's contract with you will automatically terminate upon the closing of the transaction.**

Should you have any questions or comments relating to this transaction, please do not hesitate to contact me at dfann@torreycove.com or (858) 456-6000.

We look forward to continuing our relationship for many years to come.

Sincerely,

David Fann

TORREYCOVE
CAPITAL PARTNERS
10180 Barnes Canyon Road, Suite 200, San Diego, CA 92121 USA
[O] 858-456-6000 [F] 858-456-6018

APPENDIX A

CONSENT FORM

The undersigned hereby acknowledges receipt of TorreyCove Capital Partners LLC's ("TorreyCove") letter dated January 13, 2020 in connection with the anticipated acquisition by Aksia LLC of TorreyCove Capital Partners LLC (the "Letter"). As noted in the Letter, this transaction could be deemed to be an "assignment" under the Investment Advisers Act of 1940, as amended, that requires the undersigned's consent.

The undersigned:

- ☐ CONSENTS to the assignment; or

- ☐ OBJECTS to the assignment.

____
Signature

____
Name

____
Title

____
Date

PRESS RELEASE: Aksia to Acquire TorreyCove Capital Partners

https://www.torreycove.com/news/press-release-aksia-to-acquire-torreycove-capital-partners/

January 8, 2020

NEW YORK—Aksia LLC ("Aksia") today announced that it has entered into an agreement to acquire TorreyCove Capital Partners LLC ("TorreyCove"). The transaction is expected to close in the first half of 2020. Financial terms were not disclosed.

The combination of Aksia and TorreyCove brings together two specialist investment research and advisory firms serving the needs of institutional investors in alternative investments. Aksia specializes in private credit and hedge fund strategies whereas TorreyCove specializes in private equity and real asset strategies.

The combined firm will advise on over $160 billion in alternative assets with more than 240 professionals globally, including over 150 professionals focused on investment research and risk management.

Following the transaction, Aksia will remain headquartered in New York, with offices in San Diego, London, Tokyo, Boston, Athens, and Hong Kong. TorreyCove's five Managing Directors will be welcomed as partners of Aksia and assume senior management positions.

Clients are expected to benefit from larger and deeper research teams, broader geographic reach, pan-alternatives expertise, and a focus on technology solutions to access a wide range of research on investments as well as portfolio, accounting, and risk reporting. Experienced portfolio advisory teams as well as Aksia's pan-alts operational due diligence capabilities will round out support available for client alternatives programs.

Aksia was advised by Orrick, Herrington & Sutcliffe LLP and TorreyCove was advised by Hogan Lovells US LLP.

About Aksia:

Aksia employs 177 professionals to provide specialist alternative investment research and portfolio advisory solutions to institutional investors globally. Aksia advises on over $85 billion of client alternative allocations including more than $8.5 billion of committed assets under management and offers the expertise and implementation capabilities to provide institutions with flexible solutions designed to meet their needs and complement existing internal resources. The firm represents pension plans, insurance companies, government-related institutions, endowments, foundations and superannuation funds. Aksia's MAX research and portfolio technology platform allows clients to access manager research as well as portfolio accounting and risk transparency. Aksia is 100% employee owned and maintains offices in North America, Europe, and Asia, with headquarters located in New York City. For more information, please visit www.aksia.com.

About TorreyCove:

TorreyCove is an alternative investments advisory and consulting firm with 66 professionals specializing in private equity, real assets, and private credit strategies globally. TorreyCove's assets under advisement is over $75 billion and its clients include pension plans, financial institutions, endowments, foundations, and family offices. The firm creates custom tailored investment solutions for its clients based on investment return targets, risk tolerances, and liquidity requirements. TorreyCove's investment team has helped clients invest or commit over $100 billion in private equity, real assets, and private credit fund investments and co-investments. TorreyCove is 100% employee owned and is headquartered in San Diego with an office in Boston. For more information, please visit www.torreycove.com.

CONSENT TO ASSIGN CONTRACT WITH
TORREYCOVE CAPITAL PARTNERS LLC

PROPOSED RESOLUTION

WHEREAS, LACERS has an existing contract with TorreyCove Capital Partners LLC (TorreyCove) for private equity consulting services; and,

WHEREAS, TorreyCove has entered into an acquisition agreement with Aksia LLC (Aksia), a privately held company that provides alternative investment research and portfolio advisory solutions to institutional investors; and,

WHEREAS, Aksia will acquire a 100% interest in TorreyCove; and,

WHEREAS, under the Investment Advisers Act of 1940, a change in control of an investment advisory firm is deemed to be a contract assignment that requires written consent of the client; and,

WHEREAS, staff has conducted appropriate due diligence on Aksia and its acquisition of TorreyCove.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby consents to the assignment of LACERS existing contract with TorreyCove to Aksia; and, authorizes the Executive Officer to approve and execute the necessary documents, subject to satisfactory business and legal terms.

February 25, 2020

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION
From: Lita Payne, Executive Officer Lita Payne

MEETING: FEBRUARY 25, 2020
ITEM: IX – D

SUBJECT: **TRAVEL AUTHORITY – EDUARDO PARK, INVESTMENT OFFICER II; RBC GLOBAL ASSET MANAGEMENT, ASHMORE INVESTMENT MANAGEMENT, AND LAZARD ASSET MANAGEMENT, LLC., LONDON, UNITED KINGDOM; MARCH 9-11, 2020; AND POSSIBLE BOARD ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Board:

1. Authorize Eduardo Park, Investment Officer II, to conduct due diligence meetings on March 9-11, 2020 (travel dates March 7-12, 2020) in London with the following firms:
   - Emerging Market Small Cap Mandate Search Semi-Finalist – RBC Global Asset Management
   - Emerging Market Debt Mandate Search Semi-Finalist – Ashmore Investment Management
   - Routine due diligence on existing LACERS manager – Lazard Asset Management
2. Authorize the reimbursement of up to $6,500 for reasonable expenses in connection with the meetings.

Discussion

Pursuant to the Board Education and Travel Policy, Board approval is necessary for this travel request because these due diligence meetings require international travel to London, United Kingdom.

Strategic Plan Impact Statement

This request to conduct due diligence meetings, which requires international travel, conforms to the LACERS Strategic Plan Board Governance Goal of upholding good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Amy Petrique, Senior Administrative Clerk, Investment Division

RJ/BF/AP/jp

Attachments: 1. Estimate of Reimbursable Expenses
2. Proposed Resolution

CITY OF LOS ANGELES
Intra-Departmental Correspondence

DATE: February 25, 2020

TO: Accounting Section, LACERS

FROM: Amy Petrique, Senior Administrative Clerk

SUBJECT: ESTIMATE OF REIMBURSABLE EXPENSES

Name of Attendee Title	Eduardo Park, Investment Officer II	
Event	Due Diligence of Emerging Market Small Cap Equities Mandate Search Semi-Finalist, Due Diligence of Emerging Market Debt Mandate Semi-Finalist, Routine due diligence on existing LACERS manager	
Organization	RBC Global Asset Management, Ashmore Investment Management, Lazard Asset Management	
Date(s) of Event	March 9-11, 2020 (Travel Dates March 7-12, 2020)	
Location of Event	London, United Kingdom	
ESTIMATED EXPENSES:	Airfare (RT) LAX/LHR (London, Heathrow)	$2,000.00
	Hotel: $345.00/ Night x 4 (USD Conversion)	$1,380.00
	Miscellaneous: ($30 per day) x 5 days	$150.00
	State Department Per diem ($186/day) 3 travel days @ $137.25 ea. (March 7-8, 12) 3 days @ $186.00 each (March 9-11)	$969.75
	Taxi to / from LAX	$170.00
	Taxi (RT) LHR to/from Hotel Taxi (RT) Hotel to/from Meetings (USD Conversion)	$245.00
	TOTAL ESTIMATE:	**$4,914.75**

TRAVEL AUTHORITY
DUE DILIGENCE OF EMERGING MARKET SMALL CAP EQUITIES MANDATE SEARCH; EMERGING MARKET DEBT MANDATE SEARCH; ROUTINE DUE DILIGENCE ON EXISTING LACERS MANAGER
MARCH 9-11, 2020
LONDON, UNITED KINGDOM

PROPOSED RESOLUTION

WHEREAS, Board approval is required for all international travel requests; and,

WHEREAS, the due diligence of the Emerging Market Small Cap Equities Mandate Search semi-finalist, RBC Global Asset Management; the due diligence of the Emerging Market Debt Mandate Search semi-finalist, Ashmore Investment Management; and routine due diligence on existing LACERS manager, Lazard Asset Management; requires international travel to London, United Kingdom, and therefore requires approval; and,

WHEREAS, the request to conduct due diligence conforms to the LACERS Strategic Plan Board Governance Goal of upholding good governance practices which affirm transparency, accountability, and fiduciary duty.

NOW, THEREFORE, BE IT RESOLVED, that Eduardo Park, Investment Officer II is hereby authorized to travel to London, United Kingdom to conduct due diligence of the Emerging Market Small Cap Equities Mandate Search semi-finalist, RBC Global Asset Management; due diligence of the Emerging Market Debt Mandate Search semi-finalist, Ashmore Investment Management; and routine due diligence on existing LACERS manager, Lazard Asset Management, on March 9-11, 2020 (travel dates March 7-12, 2020).

BE IT FURTHER RESOLVED, that the reimbursement of up to $6,500 for Eduardo Park, Investment Officer II is hereby authorized for reasonable expenses in connection with participation and will be applied to the 2019-20 Fiscal Year budget.

February 25, 2020

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION
From: Lita Payne, Executive Officer Lita Payne

MEETING: FEBRUARY 25, 2020
ITEM: IX – E

SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO $40 MILLION IN KPS SPECIAL SITUATIONS FUND V, LP**

ACTION: ☐ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☒

Recommendation

That the Board receive and file this notice of the commitment of up to $40 million in KPS Special Situations Fund V, LP.

Executive Summary

KPS Special Situations Fund V, LP will focus on making control investments in manufacturing and industrial turnaround situations in North America and Europe.

Discussion

Consultant Recommendation
TorreyCove Capital Partners LLC (TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to $40 million in KPS Special Situations Fund V, LP (the Fund), a special situations strategy managed by KPS Capital Partners, LP (the Firm or KPS). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2020 Strategic Plan adopted by the Board on December 10, 2019.

Background
KPS is led by its three managing partners, Michael Psaros, David Shapiro, and Raquel Palmer. Prior to forming KPS in 1997, Mr. Psaros was at Bear, Stearns & Co., Mr. Shapiro was at Drexel Burnham Lambert, and Ms. Palmer was at Kidder, Peabody & Co. The Firm has $11.5 billion in assets under management, 54 professionals, and offices located in New York (headquarters), Frankfurt, and Amsterdam.

LACERS has an existing general partner relationship with KPS. LACERS previously committed $25 million to KPS Special Situations Fund IV, LP (2014 vintage) which has earned a net internal rate of return (IRR) of 20.2%.[1,2]

Investment Thesis
KPS primarily invests in distressed opportunities including complex carve-outs, turnarounds, and restructurings. The Firm has focused on this strategy since inception, targeting companies that stand to benefit from KPS' institutional knowledge in the basic materials, branded consumer, healthcare and luxury products, automotive parts, capital equipment and general manufacturing industries. KPS believes its constructive relationship with major manufacturing, industrial, and service unions in North America and Europe is vital to successfully implementing its investment mandate. The firm takes a hands-on approach to value creation, focusing first on maximizing portfolio company efficiency in the areas of operating costs, utilization rates, and supply chain management. After operational enhancements are in place, KPS seeks to grow portfolio companies through geographic expansion, new product development, and add-on acquisitions. The Fund's exit strategy includes sales to strategic and financial buyers, supplemented with dividend recapitalizations.

Placement Agent
The GP does not outsource its fundraising and does not use placement agents.

Staff Recommendation
Staff concurred with TorreyCove's recommendation. The commitment has been consummated pursuant to the Discretion in a Box (Roles and Responsibilities) section of the Private Equity Investment Policy; no Board action is required.

Strategic Plan Impact Statement

Investment in KPS Special Situations Fund V, LP will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2020 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

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

RJ/BF/WL/RK:jp

Attachments: 1. TorreyCove Investment Notification
2. Discretion in a Box

[1]Performance as of June 30, 2019
[2]Performance data (1) does not necessarily accurately reflect the current or expected future performance of the Fund(s) or the fair value of LACERS' interest in the Fund(s), (2) should not be used to compare returns among multiple private equity funds, and (3) has not been calculated, reviewed, verified or in any way sanctioned or approved by the general partner(s) or manager(s).

Board Meeting: 02/25/20
Item IX-E
Attachment 1

TorreyCove
CAPITAL PARTNERS

CALIFORNIA

10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS

222 Rosewood Drive
3rd Floor
Danvers, MA 01923

KPS Special Situations Fund V, LP
Investment Notification

KPS Special Situations Fund V, LP

- **General Partner:** KPS Capital Partners, L.P. (the “Firm” or “KPS”)
- **Fund:** KPS Special Situations Fund V, LP (the “Fund” or “Fund V”)
- **Firm Founded:** 1997
- **Strategy:** Large Buyouts
- **Sub-Strategy:** Special Situations / Turnarounds
- **Geography:** North America and Europe
- **Team:** 38 investment and portfolio operations professionals
- **Senior Partners:** Michael Psaros, David Shapiro, and Raquel Palmer (Managing Partners)
- **Office Locations:** New York, Frankfurt, Amsterdam
- **Industries:** Manufacturing and Industrials
- **Target Fund Size:** $5.0 billion
- **Recommendation:** $40.0 million

Investment Highlights

- Experienced management team with long tenure working together and minimal investment team turnover
- Significant turnaround / special situations experience and expertise in the manufacturing sector
- Minority outside investment made by Dyal Capital Partners in November 2016
- Strong aggregate returns with minimal portfolio loss ratio

KPS Special Situations Fund V, LP

- **Firm and Background**
  - KPS Capital Partners began raising its first institutional fund in 1997. That said, the Firm's Co-Founders (Eugene Keilin, Michael Psaros, and David Shapiro) worked together dating back to 1991. Current Managing Partner Raquel Palmer began working with the Co-Founders in 1994 and has played an integral role in leading the Firm since raising institutional capital.
  - The bulk of the Firm's investment decision making has been led by Messrs. Psaros and Shapiro, and Ms. Palmer, all of whom have served on the KPS Investment Committee since Fund I, in addition to Partner Jay Bernstein who joined KPS in 1999.
  - In November 2016 KPS sold a passive, non-voting minority equity interest to Dyal.
  - Currently KPS employs 54 professionals, of which, 38 will focus on the investment and portfolio operations functions of the flagship platform, 8 will focus on the investment function of the mid-cap platform, and 12 support the administrative and investor relations functions of both platforms.
  - Messrs. Psaros, Shapiro, and Bernstein and Ms. Palmer will work across both platforms.
- **Investment Strategy**
  - Fund V will deploy the same investment mandate as previous funds, targeting control-oriented opportunities in manufacturing- and industrial-oriented companies based in the United States or Europe.
  - The Fund will target companies that manufacture products for a variety of industries, including basic materials, branded consumer, healthcare and luxury products, automotive parts, capital equipment, and general manufacturing. The Fund will not target companies in the restaurant, retail, business services, distribution, telecom, or software industries.
  - Fund V will execute approximately 10 to 15 platform investments in total, or two to three platforms per year.
  - The average check size for the Fund is expected to range from $400.0 million to $500.0 million with enterprise values ranging from $300.0 million to $2.0 billion.

TORREYCOVE CAPITAL PARTNERS

DISCLOSURES

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE.

THESE MATERIALS ARE NOT INTENDED AS AN OFFER TO SELL, OR THE SOLICITATION OF AN OFFER TO PURCHASE, ANY SECURITY. THIS PRESENTATION HAS BEEN PREPARED SOLELY FOR INFORMATIONAL AND DISCUSSION PURPOSES ONLY. THE INFORMATION HEREIN IS NOT INTENDED TO BE COMPLETE AND THE DESCRIPTION OF THE FUND IN THESE MATERIALS IS QUALIFIED IN IN ITS ENTIRETY BY THE TERMS AND INFORMATION CONTAINED IN THE FUND'S OFFERING DOCUMENTS, INCLUDING, WITHOUT LIMITATION, THE FUND'S PRIVATE PLACEMENT MEMORANDUM, PARTNERSHIP AGREEMENT AND SUBSCRIPTION AGREEMENT ("GOVERNING DOCUMENTS"). NOTHING HEREIN CONSTITUTES OR SHOULD NOT BE CONSTRUED AS INVESTMENT ADVICE.

THE INFORMATION HEREIN IS NOT INTENDED TO PROVIDE, AND SHOULD NOT BE RELIED UPON FOR, ACCOUNTING, TAX OR LEGAL ADVICE. YOU SHOULD CONSULT YOUR TAX, LEGAL AND/OR ACCOUNTING ADVISERS ABOUT ANY MATTERS DISCUSSED HEREIN.

INTERESTS IN THE FUND HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER ANY STATE OR OTHER SECURITIES LAWS OR THE LAWS OF ANY NON-U.S. JURISDICTION. THE INTERESTS WILL BE OFFERED AND SOLD FOR INVESTMENT ONLY TO QUALIFYING INVESTORS PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS OF THE STATES AND OTHER JURISDICTIONS (INCLUDING NON-U.S. JURISDICTIONS) WHERE THE OFFERING WILL BE MADE. THERE WILL BE NO PUBLIC MARKET FOR INTERESTS IN THE FUND, AND THERE IS NO OBLIGATION ON THE PART OF ANY PERSON TO REGISTER THE INTERESTS UNDER THE SECURITIES ACT. INTERESTS IN THE FUND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND ANY APPLICABLE NON-U.S. SECURITIES LAWS, PURSUANT TO REGISTRATION OR AN EXEMPTION THEREFROM. THE TRANSFERABILITY OF THE INTERESTS WILL BE FURTHER RESTRICTED BY THE TERMS OF THE FUND'S GOVERNING DOCUMENTS. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE FUND FOR AN INDEFINITE PERIOD OF TIME.

NONE OF THE INFORMATION CONTAINED HEREIN WAS PREPARED BY THE FUND OR ANY UNDERLYING PORTFOLIO FUNDS IDENTIFIED HEREIN, IF ANY, THE GENERAL PARTNERS THEREOF OR ANY OF THEIR RESPECTIVE AFFILIATES. BY ACCEPTING THESE MATERIALS, YOU HEREBY ACKNOWLEDGE AND AGREE TO ALL OF THE TERMS AND CONDITIONS IN THESE DISCLOSURES.

PRIVATE EQUITY INVESTMENT POLICY

Discretion in a Box (Roles and Responsibilities)

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Strategy/Policy	• Select Private Equity Consultant. • Approve asset class funding level. • Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.	• With Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.	• With staff and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.
Investment Selection	• Review investment analysis reports. • Review and approve investments in new management groups of amounts greater than $50 million prior to investment. • Review and approve investments in follow-on partnerships of amounts greater than $100 million prior to investment.	• Refer investments and forward to Private Equity Consultant for preliminary screening. • Conduct meetings with potential new investments prior to recommending to the Board, if practical. • In conjunction with Private Equity Consultant, invest up to $50 million for new partnerships, and up to $100 million for follow-on funds without Board approval. If staff opposes, refer to Board for decision. • In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over $50 million in new partnerships, or over $100 million in follow-on funds. • Execute agreements.	• Conduct extensive analysis and due diligence on investments. • Recommend for Board approval investments over $50 million for new managers, or over $100 million in follow-on funds. • With staff concurrence, approve investment of up to $50 million for new partnerships, and up to $100 million in follow-on funds. • Provide investment analysis report for each new investment and sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s). • Communicate with staff regarding potential opportunities undergoing extensive analysis and due diligence. • Coordinate meetings between staff, Board, and general partner upon request. • Negotiate legal documents.
Investment Monitoring	• Review quarterly, annual, and other periodic monitoring reports. • Approve sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s)	• Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant. • Conduct meetings with existing managers periodically. • Attend annual partnership meetings when appropriate. • Fund capital calls and distributions. • Review Private Equity Consultant's recommendations on amendments and consents. • Execute amendments to agreements and consents. • Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence. • Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).	• Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio. • Recommend amendments and consents to staff for approval. • Provide quarterly, annual, and other periodic monitoring reports.

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION
From: Lita Payne, Executive Officer Lita Payne

MEETING: FEBRUARY 25, 2020
ITEM: IX – F

SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO $10 MILLION IN KPS SPECIAL SITUATIONS MID-CAP FUND, LP**

ACTION: ☐ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☒

Recommendation

That the Board receive and file this notice of the commitment of up to $10 million in KPS Special Situations Mid-Cap Fund, LP.

Executive Summary

KPS Special Situations Mid-Cap Fund, LP will focus on making lower middle-market control investments in manufacturing and industrial turnaround situations in North America and Europe.

Discussion

Consultant Recommendation
TorreyCove Capital Partners LLC (TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to $10 million in KPS Special Situations Mid-Cap Fund, LP (the Fund), a special situations strategy managed by KPS Capital Partners, LP (the Firm or KPS). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2020 Strategic Plan adopted by the Board on December 10, 2019.

Background
KPS is led by its three managing partners, Michael Psaros, David Shapiro, and Raquel Palmer. Prior to forming KPS in 1997, Mr. Psaros was at Bear, Stearns & Co., Mr. Shapiro was at Drexel Burnham Lambert, and Ms. Palmer was at Kidder, Peabody & Co. The Firm has $11.5 billion in assets under management, 54 professionals, and offices located in New York (headquarters), Frankfurt, and Amsterdam.

LACERS has an existing general partner relationship with KPS. LACERS previously committed $25 million to KPS Special Situations Fund IV, LP (2014 vintage) which has earned a net internal rate of return (IRR) of 20.2%.[1,2]

Investment Thesis

The Fund will target smaller businesses in the lower middle-market that require up to $100 million of initial equity capital, but will utilize the same investment strategy as the KPS flagship funds. KPS primarily invests in distressed opportunities including complex carve-outs, turnarounds, and restructurings. The Firm has focused on this strategy since inception, targeting companies that stand to benefit from KPS' institutional knowledge in the basic materials, branded consumer, healthcare and luxury products, automotive parts, capital equipment and general manufacturing industries. KPS believes its constructive relationship with major manufacturing, industrial, and service unions in North America and Europe is vital to successfully implementing its investment mandate. The firm takes a hands-on approach to value creation, focusing first on maximizing portfolio company efficiency in the areas of operating costs, utilization rates, and supply chain management. After operational enhancements are in place, KPS seeks to grow portfolio companies through geographic expansion, new product development, and add-on acquisitions. The Fund's exit strategy includes sales to strategic and financial buyers, supplemented with dividend recapitalizations.

Placement Agent

The GP does not outsource its fundraising and does not use placement agents.

Staff Recommendation

Staff concurred with TorreyCove's recommendation. The commitment has been consummated pursuant to the Discretion in a Box (Roles and Responsibilities) section of the Private Equity Investment Policy; no Board action is required.

Strategic Plan Impact Statement

Investment in KPS Special Situations Mid-Cap Fund, LP will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2020 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Clark Hoover, Investment Officer I, Investment Division

RJ/BF/WL/CH:jp

Attachments: 1. TorreyCove Investment Notification
2. Discretion in a Box

[1]Performance as of June 30, 2019

[2]Performance data (1) does not necessarily accurately reflect the current or expected future performance of the Fund(s) or the fair value of LACERS' interest in the Fund(s), (2) should not be used to compare returns among multiple private equity funds, and (3) has not been calculated, reviewed, verified or in any way sanctioned or approved by the general partner(s) or manager(s)

TorreyCove
CAPITAL PARTNERS

CALIFORNIA
10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS
222 Rosewood Drive
3rd Floor
Danvers, MA 01923

KPS Special Situations Mid-Cap Fund, LP Investment Notification

KPS Special Situations Mid-Cap Fund, LP

- **General Partner:** KPS Capital Partners, LP (the "Firm" or "KPS")
- **Fund:** KPS Special Situations Mid-Cap Fund, LP (the "Fund" or "Mid-Cap Fund")
- **Firm Founded:** 1997
- **Strategy:** Medium Buyouts
- **Sub-Strategy:** Special Situations / Turnarounds
- **Geography:** North America and Europe
- **Team:** 8 investment and portfolio operations professionals
- **Senior Partners:** Michael Psaros, David Shapiro, and Raquel Palmer (Managing Partners)
- **Office Locations:** New York, Frankfurt, Amsterdam
- **Industries:** Manufacturing and Industrials
- **Target Fund Size:** $750.0 million
- **Recommendation:** $10.0 million

Investment Highlights

- Platform led by Pierre de Villeméjane and Ryan Harrison, with the Managing Partners expected to contribute through the Fund's Investment Committee
- Significant turnaround / special situations experience and expertise in the manufacturing sector
- Minority outside investment made by Dyal Capital Partners in November 2016
- Plan to build out the investment and portfolio operations teams as the Fund begins to invest

KPS Special Situations Mid-Cap Fund, LP

- **Firm and Background**
  - KPS Capital Partners began raising its first institutional fund in 1997. That said, the Firm's Co-Founders (Eugene Keilin, Michael Psaros, and David Shapiro) worked together dating back to 1991. Current Managing Partner Raquel Palmer began working with the Co-Founders in 1994 and has played an integral role in leading the Firm since raising institutional capital.
  - KPS announced the formation of its Mid-Cap platform in 2019 and officially launched fundraising for the Fund on September 4, 2019. The Firm established the platform to take advantage of heightened deal flow in the lower middle market.
  - In November 2016 KPS sold a passive, non-voting minority equity interest to Dyal.
  - Currently KPS employs 54 professionals, of which, 38 will focus on the investment and portfolio operations functions of the flagship platform, 8 will focus on the investment function of the mid-cap platform, and 12 support the administrative and investor relations functions of both platforms.
  - Messrs. Psaros, Shapiro, and Bernstein and Ms. Palmer will work across both platforms.
- **Investment Strategy**
  - The Mid-Cap Fund will deploy the same investment mandate as the flagship fund, targeting control-oriented turnaround opportunities in manufacturing- and industrial-oriented companies based in the United States or Europe; however, the Fund will focus on smaller businesses positioned in the lower middle market.
  - The Fund will target companies that manufacture products for a variety of industries, including basic materials, branded consumer, healthcare and luxury products, automotive parts, capital equipment, and general manufacturing. The Fund will not target companies in the restaurant, retail, business services, distribution, telecom, or software industries.
  - Fund V will execute approximately 10 to 15 platform investments in total, or two to three platforms per year.
  - The average check size for the Fund is expected to range from $50.0 million to $100.0 million with enterprise values ranging up to $300.0 million.

TorreyCove Capital Partners

DISCLOSURES

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NONE OF THE INFORMATION CONTAINED HEREIN WAS PREPARED BY THE FUND OR ANY UNDERLYING PORTFOLIO FUNDS IDENTIFIED HEREIN, IF ANY, THE GENERAL PARTNERS THEREOF OR ANY OF THEIR RESPECTIVE AFFILIATES. BY ACCEPTING THESE MATERIALS, YOU HEREBY ACKNOWLEDGE AND AGREE TO ALL OF THE TERMS AND CONDITIONS IN THESE DISCLOSURES.

PRIVATE EQUITY INVESTMENT POLICY

Discretion in a Box (Roles and Responsibilities)

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Strategy/Policy	• Select Private Equity Consultant. • Approve asset class funding level. • Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.	• With Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.	• With staff and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.
Investment Selection	• Review investment analysis reports. • Review and approve investments in new management groups of amounts greater than $50 million prior to investment. • Review and approve investments in follow-on partnerships of amounts greater than $100 million prior to investment.	• Refer investments and forward to Private Equity Consultant for preliminary screening. • Conduct meetings with potential new investments prior to recommending to the Board, if practical. • In conjunction with Private Equity Consultant, invest up to $50 million for new partnerships, and up to $100 million for follow-on funds without Board approval. If staff opposes, refer to Board for decision. • In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over $50 million in new partnerships, or over $100 million in follow-on funds. • Execute agreements.	• Conduct extensive analysis and due diligence on investments. • Recommend for Board approval investments over $50 million for new managers, or over $100 million in follow-on funds. • With staff concurrence, approve investment of up to $50 million for new partnerships, and up to $100 million in follow-on funds. • Provide investment analysis report for each new investment and sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s). • Communicate with staff regarding potential opportunities undergoing extensive analysis and due diligence. • Coordinate meetings between staff, Board, and general partner upon request. • Negotiate legal documents.
Investment Monitoring	• Review quarterly, annual, and other periodic monitoring reports. • Approve sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s)	• Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant. • Conduct meetings with existing managers periodically. • Attend annual partnership meetings when appropriate. • Fund capital calls and distributions. • Review Private Equity Consultant's recommendations on amendments and consents. • Execute amendments to agreements and consents. • Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence. • Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).	• Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio. • Recommend amendments and consents to staff for approval. • Provide quarterly, annual, and other periodic monitoring reports.

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION
From: Lita Payne, Executive Officer Lita Payne

MEETING: FEBRUARY 25, 2020
ITEM: IX – G

SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO $30 MILLION IN CLEARLAKE CAPITAL PARTNERS VI, L.P.**

ACTION: ☐ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☒

Recommendation

That the Board receive and file this notice of the commitment of up to $30 million in Clearlake Capital Partners VI, L.P.

Executive Summary

Clearlake Capital Partners VI, L.P. will focus on control investments in diversified medium and large sized companies in North America.

Discussion

Consultant Recommendation
TorreyCove Capital Partners LLC (TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to $30 million in Clearlake Capital Partners VI, L.P. (the Fund), a strategy managed by Clearlake Capital Group, L.P. (the GP or Clearlake). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2020 Strategic Plan adopted by the Board on December 10, 2019.

Background
Clearlake is led by its two managing partners, Behdad Eghbali and José Feliciano, who co-founded the firm in 2006. Prior to forming Clearlake, Mr. Eghbali was at TPG Capital and Mr. Feliciano was at Tennenbaum Capital Partners. The firm has $17 billion in assets under management and its senior investment principals have led or co-lead over 200 investments. Clearlake employs 60 professionals and is based in Santa Monica. Clearlake is a new general partner relationship for LACERS.

Investment Thesis
Clearlake will seek to primarily make control-oriented investments in medium and large sized companies operating within the industrials and energy, software and technology-enabled services, and consumer sectors. The firm will invest across the corporate capital structure, including debt and equity, with a strategic focus on obtaining control or exerting significant influence over their portfolio companies. Clearlake's approach to value creation is predicated on implementation of its O.P.S. (Operations, People, and Strategy) framework to facilitate operational improvements and, ultimately, increase profitability. Exit strategies include initial public offerings and sales to financial institutions or strategic partners, such as other private equity firms or large enterprise firms.

Placement Agent
The GP engaged with Credit Suisse Securities (USA) LLC as their placement agent.

Staff Recommendation
Staff concurred with TorreyCove's recommendation. The commitment has been consummated pursuant to the Discretion in a Box (Roles and Responsibilities) section of the Private Equity Investment Policy; no Board action is required.

Strategic Plan Impact Statement

Investment in Clearlake Capital Partners VI, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2020 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Eduardo Park, Investment Officer II, Investment Division

RJ/BF/WL/EP:jp

Attachments:
1. TorreyCove Investment Notification
2. Discretion in a Box

TORREYCOVE
CAPITAL PARTNERS

CALIFORNIA
10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS
222 Rosewood Drive
3rd Floor
Danvers, MA 01923

Clearlake Capital Partners VI, L.P.
Investment Notification

Clearlake Capital Partners VI, L.P.

- **General Partner:** Clearlake Capital Group, L.P. (the "Firm" or "Clearlake")
- **Fund:** Clearlake Capital Partners VI, L.P. (the "Fund" or "Fund VI")
- **Firm Founded:** 2006
- **Strategy:** Large Buyouts
- **Sub-Strategy:** Special Situations
- **Geography:** North America
- **Team:** 26 investment professionals and 27 operations professionals
- **Senior Partners:** Behdad Eghbali, Jose Feliciano (Managing Partners)
- **Office Locations:** Santa Monica
- **Industries:** Diversified
- **Target Fund Size:** $5.0 billion
- **Recommendation:** $30.0 million

Investment Highlights

- Experienced management team with a well-rounded investment team
- Flexible investment mandate focused on downside protection and operational value-add
- Strong performance in technology and industrial sectors

Clearlake Capital Partners VI, L.P.

- **Firm and Background**
  - Clearlake was founded in 2006 by Steven Chang, Behdad Eghbali, and José Feliciano and was initially seeded with capital from Reservoir Capital Group. Chang was transitioned out of the Firm in 2015. Eghbali and Feliciano purchased all of Chang's ownership in the Firm and structured a payout arrangement for Chang's carried interest in the Firm's previous funds.
  - In 2015, the Firm expanded on its flagship Clearlake Capital Partners strategy by forming the Clearlake Opportunities Partners strategy, a new strategy dedicated to non-control investments.
  - In 2017, Eghbali and Feliciano acquired Reservoir's remaining minority equity interest in the Firm with preferred equity financing from affiliates of Landmark Equity Advisors. More recently, in 2018, Dyal Capital Partners, Goldman Sachs Asset Management's Petershill group, and Landmark made a minority equity investment in Clearlake.
  - The activities of the Fund will be managed by the Firm's two Managing Partners, Eghbali and Feliciano, who are supported by a team of nearly 60 professionals, including 26 investment professionals, 27 operations professionals, and four investor relations & client services professionals.
- **Investment Strategy**
  - Fund VI will seek to primarily make control-oriented investments in medium-and-large sized companies operating within the industrials and energy, software and technology-enabled services, and consumer sectors.
  - The Fund's investments will generally fall into three categories: (i) special situations and private equity; (ii) distressed; and (iii) structured equity. Capital deployment to the three investment types is inherently opportunistic and expected to reflect both the market environment and company-specific events.
  - Clearlake takes a flexible approach to investment structuring and will invest across the corporate capital structure, including debt and equity, with a strategic focus on obtaining control or exerting significant influence over portfolio companies.
  - Clearlake plans to build a diversified portfolio of 16 to 20 core investments along with several toehold positions. Target core investment sizes are expected to be between $100.0 and $500.0 million with target enterprise values between $200.0 million to $2.0 billion.

TORREYCOVE
CAPITAL PARTNERS

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PRIVATE EQUITY INVESTMENT POLICY

Discretion in a Box (Roles and Responsibilities)

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Strategy/Policy	• Select Private Equity Consultant. • Approve asset class funding level. • Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.	• With Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.	• With staff and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.
Investment Selection	• Review investment analysis reports. • Review and approve investments in new management groups of amounts greater than $50 million prior to investment. • Review and approve investments in follow-on partnerships of amounts greater than $100 million prior to investment.	• Refer investments and forward to Private Equity Consultant for preliminary screening. • Conduct meetings with potential new investments prior to recommending to the Board, if practical. • In conjunction with Private Equity Consultant, invest up to $50 million for new partnerships, and up to $100 million for follow-on funds without Board approval. If staff opposes, refer to Board for decision. • In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over $50 million in new partnerships, or over $100 million in follow-on funds. • Execute agreements.	• Conduct extensive analysis and due diligence on investments. • Recommend for Board approval investments over $50 million for new managers, or over $100 million in follow-on funds. • With staff concurrence, approve investment of up to $50 million for new partnerships, and up to $100 million in follow-on funds. • Provide investment analysis report for each new investment and sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s). • Communicate with staff regarding potential opportunities undergoing extensive analysis and due diligence. • Coordinate meetings between staff, Board, and general partner upon request. • Negotiate legal documents.
Investment Monitoring	• Review quarterly, annual, and other periodic monitoring reports. • Approve sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s)	• Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant. • Conduct meetings with existing managers periodically. • Attend annual partnership meetings when appropriate. • Fund capital calls and distributions. • Review Private Equity Consultant's recommendations on amendments and consents. • Execute amendments to agreements and consents. • Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence. • Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).	• Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio. • Recommend amendments and consents to staff for approval. • Provide quarterly, annual, and other periodic monitoring reports.

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION
From: Lita Payne, Executive Officer Lita Payne

MEETING: FEBRUARY 25, 2020
ITEM: IX – H

SUBJECT: **CORRECTION OF NOTIFICATION OF COMMITMENT OF UP TO €31.591 MILLION IN NREP NORDIC STRATEGIES FUND IV, LP SCSP AND POSSIBLE BOARD ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Board:

1. Amend the authorized commitment to NREP Nordic Strategies Fund, LP SCSP from $35 million to €31.591 million.

2. Approve a revised resolution that reflects the amended commitment to NREP Nordic Strategies Fund, LP SCSP.

Discussion

On October 22, 2019, the Board, in closed session pursuant to Government Code Section 54956.81, approved a commitment of up to $35 million in the following private real estate fund: NREP Nordic Strategies Fund IV, LP SCSP (Fund). The investment closed on December 19, 2019. This report amends the commitment amount from $35 million to €31.591 million.

During the initial discussions with staff, the Townsend Group, LACERS' Real Estate Consultant, recommended a $35 million commitment to the Fund. Staff reviewed the opportunity and determined that a commitment of $35 million would be appropriate. The Fund is denominated in Euros; as such, staff is amending the notification of commitment to reflect the currency that the Fund is denominated in, as opposed to the United States dollar equivalent. This will ensure that LACERS will not commit more than €31.591 million to the Fund, which the general partner has accepted in the subscription documents.

Strategic Plan Impact Statement

Investment in NREP Nordic Strategies Fund IV, LP SCSP will allow LACERS to maintain exposure to diversified real estate, pursuant to the Real Estate Investments Fiscal Year 2019-2020 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

Prepared by: Eduardo Park, Investment Officer II, Investment Division

RJ/BF/WL/EP/jp

Attachments:
1. NREP Nordic Strategies Fund IV, LP SCSP Board Notification dated January 14, 2020
2. Proposed Resolution

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION
From: Lita Payne, Executive Officer Lita Payne

MEETING: JANUARY 14, 2020
ITEM: VIII – D

SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO $35 MILLION IN NREP NORDIC STRATEGIES FUND IV, LP SCSP**

ACTION: ☐ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☒

Recommendation

That the Board receive and file this notice of the commitment of up to $35 million in NREP Nordic Strategies Fund IV, LP SCSP.

Discussion

On October 22, 2019, the Board, in closed session pursuant to Government Code Section 54956.81, approved a commitment of up to $35 million in the following private real estate fund: NREP Nordic Strategies Fund IV, LP SCSP. The investment closed on December 19, 2019. Board vote: Ayes 7 (Commissioners Annie Chao, Elizabeth Lee, Sandra Lee, Nilza R. Serrano, Sung Won Sohn, Vice President Michael R. Wilkinson, and President Cynthia M. Ruiz), Nays 0.

Strategic Plan Impact Statement

Investment in NREP Nordic Strategies Fund IV, LP SCSP will allow LACERS to maintain exposure to diversified real estate, pursuant to the Real Estate Investments Fiscal Year 2019-2020 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Eduardo Park, Investment Officer I, Investment Division

RJ/BF/WL/EP:sg

AUTHORIZATION TO COMMIT
NREP NORDIC STRATEGIES FUND IV, LP SCSP

PROPOSED RESOLUTION

WHEREAS, NREP Nordic Strategies Fund IV, LP SCSP (Fund), a value add closed-end investment vehicle managed by NREP AB (NREP or GP) seeks to invest in logistics, student and senior housing, and serviced living real estate assets in Denmark, Finland, Norway, and Sweden; and,

WHEREAS, The Townsend Group, LACERS' Real Estate Consultant, has conducted extensive due diligence and has recommended that LACERS consider a commitment to the Fund to which staff, after a review of the consultant findings, concurs; and,

WHEREAS, such a commitment is consistent with LACERS' Real Estate Fiscal Year 2019-2020 Strategic Plan; and,

WHEREAS, on October 8, 2019, the Investment Committee, after reviewing staff's recommendation and hearing a presentation from staff, The Townsend Group, and the GP, directed staff to refer the fund commitment recommendation to the Board for consideration; and,

WHEREAS, on October 22, 2019, the Board authorized up to a $35 million commitment to the Fund; and,

WHEREAS, on February 25, 2020, the Board amended the authorization to up to a €31.591 million commitment to the Fund to reflect the currency that the fund is denominated in.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes a commitment of up to €31.591 million to the Fund; and, authorizes the Executive Officer to approve and execute the necessary documents, subject to satisfactory business and legal terms.

February 25, 2020

Board of Administration Agenda

REGULAR MEETING **TUESDAY, FEBRUARY 25, 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). Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at (213) 473-7169.	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 Ghoukassian 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 FEBRUARY 11, 2020 AND POSSIBLE BOARD ACTION

III. BOARD PRESIDENT VERBAL REPORT

IV. GENERAL MANAGER VERBAL REPORT

A. REPORT ON DEPARTMENT OPERATIONS

B. LACERS WEBSITE DEMO

C. CONTINUANCE METHODOLOGY CHANGE AND LACERS INFO BULLETIN

D. UPCOMING AGENDA ITEMS

E. RECOGNITION OF SERVICE FOR LUCY ARTINIAN

V. RECEIVE AND FILE ITEMS

A. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR JANUARY 2020

B. OPEN ENROLLMENT CLOSEOUT REPORT

VI. CONSENT AGENDA

A. TRAVEL AUTHORITY – COMMISSIONER NILZA SERRANO; HARVARD KENNEDY SCHOOL EXECUTIVE EDUCATION – LEADERSHIP DECISION MAKING; OPTIMIZING ORGANIZATIONAL PERFORMANCE PROGRAM, CAMBRIDGE, MASSACHUSETTS; JUNE 7-12, 2020 AND POSSIBLE BOARD ACTION

VII. BOARD/DEPARTMENT ADMINISTRATION

A. ACTUARIAL RISK ASSESSMENT AND REVIEW OF FUNDED STATUS OF THE RETIREMENT AND HEALTH PLANS AS OF JUNE 30, 2019

B. REQUEST FOR PROPOSALS FOR EXTERNAL AUDIT SERVICES AND POSSIBLE BOARD ACTION

VIII. COMMITTEE REPORT(S)

A. INVESTMENT COMMITTEE VERBAL REPORT ON THE REGULAR MEETING OF FEBRUARY 11, 2020

IX. INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT

B. INVESTMENT MANAGER CONTRACT WITH AEGON U.S.A. INVESTMENT MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. HIGH YIELD FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION

C. CONSENT OF ASSIGNMENT OF TORREYCOVE CAPITAL PARTNERS LLC CONTRACT AND POSSIBLE BOARD ACTION

D. TRAVEL AUTHORITY – EDUARDO PARK, INVESTMENT OFFICER II; RBC GLOBAL ASSET MANAGEMENT, ASHMORE INVESTMENT MANAGEMENT, AND LAZARD ASSET MANAGEMENT, LLC, LONDON, UK; MARCH 9-11, 2020, AND POSSIBLE BOARD ACTION

E. NOTIFICATION OF COMMITMENT OF UP TO $40 MILLION IN KPS SPECIAL SITUATIONS FUND V, LP

F. NOTIFICATION OF COMMITMENT OF UP TO $10 MILLION IN KPS SPECIAL SITUATIONS MID-CAP FUND, LP

G. NOTIFICATION OF COMMITMENT OF UP TO $30 MILLION IN CLEARLAKE CAPITAL PARTNERS VI, LP

H. CORRECTION OF NOTIFICATION OF COMMITMENT OF UP TO €31.591 MILLION IN NREP NORDIC STRATEGIES FUND IV, LP SCSP AND POSSIBLE BOARD ACTION

X. OTHER BUSINESS

XI. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, March 10, 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