



LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM



Board of Administration Agenda

REGULAR MEETING

TUESDAY, MAY 12, 2020

TIME: 10:00 A.M.

MEETING LOCATION:

In conformity with the Governor's Executive Order N-29-20 (March 17, 2020) and due to the concerns over COVID-19, the LACERS Board of Administration's May 12, 2020, meeting will be conducted via telephone and/or videoconferencing.

Important Message to the Public

Information to call-in to participate:

Dial: (669) 900-6833 or (346) 248-7799

Meeting ID# 987 6676 8844

Instructions for call-in participants:

- 1- Dial in and enter Meeting ID
- 2- Automatically enter virtual "Waiting Room"
- 3- Automatically enter Meeting
- 4- During Public Comment, **press *9** to raise hand
- 5- Staff will call out the last 3-digits of your phone number to make your comment

Information to listen only: 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).

Disclaimer to participants

Please be advised that all LACERS Board and Committee Meeting proceedings are audio recorded.

President: Cynthia M. Ruiz
Vice President: Michael R. Wilkinson

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

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghokassian

Legal Counsel: City Attorney's Office
Public Pensions General
Counsel Division

Notice to Paid Representatives

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

Request for services

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, Telecommunication Relay Services (TRS), 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) 855-9348 and/or email at ani.ghokassian@lacers.org.

[CLICK HERE TO ACCESS BOARD REPORTS](#)

- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – *THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT*

- II. APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF APRIL 28, 2020 AND POSSIBLE BOARD ACTION
- III. BOARD PRESIDENT VERBAL REPORT
- IV. GENERAL MANAGER VERBAL REPORT
 - A. REPORT ON DEPARTMENT OPERATIONS
 - B. UPCOMING AGENDA ITEMS
- V. RECEIVE AND FILE ITEMS
 - A. BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER
 - B. MARKETING CESSATION REPORT NOTIFICATION TO THE BOARD
- VI. BOARD/DEPARTMENT ADMINISTRATION
 - A. NOTIFICATION OF CERTIFIED RESULTS OF THE BOARD OF ADMINISTRATION ELECTION FOR THE FIVE-YEAR TERM ENDING JUNE 30, 2020 AND OFFICIAL FINDINGS AND RECOMMENDATION OF CHALLENGE AND POSSIBLE BOARD ACTION
- VII. INVESTMENTS
 - A. CHIEF INVESTMENT OFFICER VERBAL REPORT
 - B. POLICY DISCUSSION REGARDING TOTAL COMPOSITION OF WORKFORCE FORM AND POSSIBLE BOARD ACTION
 - C. PRESENTATION BY NEPC, LLC REGARDING EVOLVING CREDIT OPPORTUNITIES AND TERM ASSET-BACK SECURITIES LOAN FACILITY (TALF)
 - D. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER THE PURCHASE OF PARTNERSHIP INTEREST IN A PARTICULAR, SPECIFIC TERM ASSET-BACKED SECURITIES LOAN FACILITY (TALF) INVESTMENT AND POSSIBLE BOARD ACTION**
- VIII. DISABILITY RETIREMENT APPLICATION(S)
 - A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF LISA JOHNSON AND POSSIBLE BOARD ACTION**
- IX. OTHER BUSINESS

- X. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, May 26, 2020 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401 and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings while public health concerns relating to the novel coronavirus continue.
- XI. ADJOURNMENT

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

LACERS Ken Spiker Boardroom
202 West First Street, Suite 500
Los Angeles, California

April 28, 2020

10:05 a.m.

Agenda of: May 12, 2020

Item No: II

PRESENT via Zoom Meeting:	President:	Cynthia M. Ruiz
	Vice President:	Michael R. Wilkinson
	Commissioners:	Annie Chao Elizabeth Lee Sandra Lee Nilza R. Serrano (arrived at 12:09 p.m.) Sung Won Sohn
	Manager-Secretary:	Neil M. Guglielmo
	Legal Counselor:	Anya Freedman
PRESENT at LACERS offices:	Executive Assistant:	Ani Ghoukassian

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

Item I was taken out of order

II

APPROVAL OF MINUTES FOR THE REGULAR MEETING OF MARCH 24, 2020 AND POSSIBLE BOARD ACTION – Vice President Wilkinson moved approval of the minutes for the Regular Meeting of March 24, 2020, seconded by Commissioner Serrano and was 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 thanked the Commissioners and staff with their support and patience with using Zoom to conduct the Board Meetings.

Item I was taken out of order.

I

PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – *THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT* – President Ruiz asked if any persons wished to speak on matters within the Board's jurisdiction, to which there was three responses via phone. Pastor Paul Sinnott, Brenda Morisette, and Steve Shrag, members of the public, made comments about LACERS investment in Leonard Green and Partners/Prospect Medical Holdings. Pastor Sinnott also stated that he would email related information to LACERS.

IV

GENERAL MANAGER VERBAL REPORT

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

- Thanked the Commissioners for leadership and staff for dedication
- LACERS COVID responses: Costs, adapting the LACERS workplace, LACERS innovates the path forward, Wellness Champions Reaching Out, vendor pricing reductions request
- LACERS Retired Member Election
- Mayor's Proposed Budget and City Council budget process
- Managed Retirement
- Los Angeles World Airports Separation Incentive Program (SIP)
- Legislative Compliance
- LACERS Website launch and Planning for Retirement Seminar video
- ERIP Liability Payments (QE 3/31/2020)

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

- FY 20/21 Budget – final budget submission by staff for Board consideration
- LACERS Retired Member Election – official results
- Health Renewals – Benefits Administration Committee to hear preliminary information in late May or early June

V

RECEIVE AND FILE ITEMS

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

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

- C. MARKETING CESSATION REPORT NOTIFICATION TO THE BOARD – This report was received by the Board and filed.

VI

BOARD/DEPARTMENT ADMINISTRATION

- A. MID-YEAR BUDGET ADJUSTMENTS FOR FISCAL YEAR 2019-20 AND POSSIBLE BOARD ACTION – Neil M. Guglielmo, General Manager, presented this item to the Board. Commissioner Elizabeth Lee moved approval of the following Resolutions:

**FISCAL YEAR 2019-20 BUDGET
SUPPLEMENTAL APPROPRIATION**

RESOLUTION 200428-A

WHEREAS on May 14, 2019, the Board adopted the 2019-20 Budget in the amount of \$28,045,067; and,

WHEREAS salary negotiations between the City and unions resulted in retroactive salary increases for City employees, at the cost of \$368,000 for LACERS staff; and prospective salary increases for employees through June 30, 2020 at the cost of an additional \$131,000, or a 4.5% increase; and

WHEREAS the 2019-20 Budget increased the Salary Savings rate from 6% to 9%, representing a total \$1.4 million in salary reduction versus base salaries. Despite the actualized salary savings in the past three years, LACERS' effective hiring, with few vacancies currently, have yielded lower salary savings;

WHEREAS Salary Savings are used to pay for employee retirement payouts and part-time salaries, expected total no less than \$500,000; as well as for substitute authority positions;

WHEREAS the Board has full control over increases and decreases to the LACERS budget pursuant to Los Angeles City Charter Section 1106(b)(2);

NOW THEREFORE, BE IT RESOLVED, that the Board:

- 1) Authorize an increase of \$1,300,000 to the Salaries-General Account (APPR 161010) for regular and temporary staffing;
- 2) Authorize the General Manager to correct any typographical or technical errors within the intent of this Board action.

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

**FISCAL YEAR 2019-20 BUDGET
REDUCTIONS IN APPROPRIATIONS**

RESOLUTION 200428-A

WHEREAS on May 14, 2019, the Board adopted the 2019-20 Budget in the amount of \$28,045,067; and,

WHEREAS a supplemental budget appropriation of \$1,300,000 to the Salaries Account was approved by the Board on April 28, 2020;

WHEREAS offsets have been pre-identified in the appropriation accounts for travel, contractual services, printing, office expense, and equipment; however the pandemic crisis environment has changed LACERS' operations drastically in a few short weeks; and it would be prudent to proceed with reductions to budgetary accounts when there is absolute certainty that no other unanticipated expenses will arise before the closing of the fiscal year;

WHEREAS the Board has full control over increases and decreases to the LACERS' budget pursuant to Los Angeles City Charter 1106(b)(2);

NOW THEREFORE, BE IT RESOLVED, that the Board authorize the General Manager to reduce appropriations by \$1,300,000 and to determine the timing, frequency, and reduction amounts to each appropriation account for Fiscal Year 2019-20.

Further, be it resolved that the General Manager is authorized to correct any typographical or technical errors within the intent of this Board action.

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

- B. COST-OF-LIVING ADJUSTMENT FOR JULY 2020 AND POSSIBLE BOARD ACTION – Todd Bouey, Assistant General Manager and Mikyong Jang, Department Chief Accountant IV, presented this item to the Board. After a 10 minute discussion, Commissioner Elizabeth Lee moved approval, 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.
- C. PRESENTATION BY INVESCO REAL ESTATE OF THE 977 N. BROADWAY PROJECT REPORT FOR THE QUARTER ENDING MARCH 31, 2020 – Kristina Lewison, Director with Invesco US and Isaias Cantu, Senior Management Analyst, presented and discussed this item with the Board for 20 minutes.
- D. PRESENTATION OF THE AUDIT OF LACERS' JUNE 30, 2019 ACTUARIAL VALUATION AND REVIEW OF THE EXPERIENCE STUDY BY CHEIRON – Rahoof "Wally" Oyewole, Departmental Audit Manager, Anne Harper, Principal Consulting Actuary, Graham Schmidt, Consulting Actuary with Cheiron Inc., and Paul Angelo, Actuary and Andy Yeung, Actuary, with Segal Consulting, presented and discussed this item with the Board for 33 minutes. The Board provided staff and consultants with guidance and this item will be re-introduced at a future Board Meeting for action.

Commissioner Sohn arrived at the meeting at 12:09 p.m.

- E. EMERGENCY PURCHASES AND EXPENDITURES REPORT FOR COVID-19 AND POSSIBLE BOARD ACTION – Mikyong Jang, Department Chief Accountant IV, Neil Guglielmo, General Manager, and Rahoof “Wally” Oyewole, Department Audit Manager, presented this item to the Board. After an eight minute discussion, Commissioner Serrano moved approval, seconded by Commissioner Chao, 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

INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value, \$17.07 billion as April 27, 2020. Mr. June discussed the following items:
- Cash account stands at \$376 million or 2.2% of total fund
 - RFP Investment Managers searches are delayed by approximately two months
 - Special Investment Committee Meeting may be requested in mid-May to early June to conduct Small Cap Emerging Market manager interviews
 - Upcoming Agenda Items: May 26, 2020 – will have approximately 10 items, most are non-action items
- B. SECURITIES LENDING PROGRAM MODIFICATIONS AND POSSIBLE BOARD ACTION – Rod June, Chief Investment Officer, Bryan Fujita, Chief Operating Officer, Jeremiah Paras, Investment Officer I, and Carolyn Smith, Partner with NEPC, presented this item to the Board for 22 minutes. After discussion, Commissioner Sohn moved approval, seconded by Vice President Wilkinson, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Sohn, Vice President Wilkinson, and President Ruiz -7; Nays, None.

President Ruiz recessed the Regular Meeting at 12:50 p.m. for a break and reconvened at 12:55 p.m. and immediately entered Closed Session.

VIII

DISABILITY RETIREMENT APPLICATION(S)

- A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF GERARDO LOPEZ AND POSSIBLE ACTION**

President Ruiz reconvened the Regular Meeting at 1:02 p.m. and announced that the Board unanimously approved the Disability Retirement Application of Gerardo Lopez.

IX

OTHER BUSINESS- There was no other business.

X

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, May 12, 2020 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401 and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings while public health concerns relating to the novel coronavirus continue.

XI

ADJOURNMENT – There being no further business before the Board, President Ruiz adjourned the Meeting at 1:03 p.m.

Cynthia M. Ruiz
President

Neil M. Guglielmo
Manager-Secretary

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM V-A

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

SERVICE RETIREMENTS

<u>Member Name</u>	<u>Service</u>	<u>Department</u>	<u>Classification</u>
Ahmadi, Masoud Eghbal	39	PW - St. Improv Div.	Civil Engrg Assoc
Alarcon, Diego F	31	Dept. of Transportation	Traf Officer
Anderson, Gerald Lloyd	32	Dept. of Transportation	Sr Traffic Supv
Anderson, Letidda Marie	31	Dept. of Transportation	Sr Traffic Supv
Aquino, Joycelyn Stella	33	Police Dept. - Civilian	Administrative Clerk
Araiza, Jose A	22	LA Housing Dept.	Management Analyst
Arellano, Maria Teresa	34	Police Dept. - Civilian	Sr Administrative Clerk
Arroyo, Gemeniano Belen	12	GSD - Public Bldgs.	Parking Attendant
Arroyo, Maria A	12	LA Housing Dept.	Housing Investigator
Artinian, Loucin A	37	LACERS	Personnel Analyst
Berrones, Marcellino R	20	Dept. of Rec. & Parks	Sr Gardener
Bland, Gregory J	34	Dept. of Airports	Head Custodian Supvr
Broker, Brenda E	14	City Attorney's Office	Paralegal
Bush, Frank M	30	Dept. of Bldg. & Safety	Supt Of Building
Bylard, Thomas D	27	GSD - Public Bldgs.	Build Con & Mt Gn Supi
Campos, Mark A	32	GSD - Materials Mgmt.	Storekeeper
Carr, Firpo W	6	Police Dept. - Civilian	Systems Analyst
Chang, Cheng Tong R	30	PW - Engineering	Architect
Cheng, William L	42	Dept. of Aging	Accountant
Collins, Elizabeth Barra	8	Library Dept.	Librarian
Cordova, Alicia	30	Dept. of Transportation	Sr Traffic Supv
Corral, Manuel	32	PW - Solid Resource	Ref Coll Truck Oper
Cristobal, Soledad B	31	LACERS	Benefits Specialist
Davis, Louis E	40	PW - Solid Resource	Ref Coll Truck Oper
Delgado, William Dean	13	Police Dept. - Civilian	Administrative Clerk
Delorenzo, Cindy M	5	Library Dept.	Admin Clerk
Dematos, Kerry A	19	Harbor Dept.	Port Pilot
Di Tucci, Anthony	30	Harbor Dept.	Boat Captain
Diankoff, Diana	20	Dept. of Rec. & Parks	Sr Recreation Dir
Dingman, Walter Jesse	1	Dept. of Rec. & Parks	Recreation Asst.
Dovalle, Joao T	31	PW - Solid Resource	Ref Coll Truck Oper
Dunton, Ernest	43	Dept. of Transportation	Traf Officer
Fernandez, Anita Jane	34	PW - Sanitation	Dir Of Systems
Frank, Laurence Bradley	11	Mayor's Office	Deputy Mayor
Frazier, Robyn Rene	28	Police Dept. - Civilian	Sr Police Serv Rep
Fukaye Mochizuki, Jean	29	Police Dept. - Civilian	Photographer

Garcia, Maria Christina	38	Police Dept. - Civilian	Sr Administrative Clerk
Gardner, Gary L	33	Dept. of Rec. & Parks	Sr Painter
Gardner, Sherry	35	Dept. of Rec. & Parks	Secretary
Giannini, Anthony J	45	Dept. of Bldg. & Safety	Sr Build Mech Inspectr
Gilbertsen, Eric S	23	Harbor Dept.	Sr Survey Supervisor
Goshi Forney, Natalie A	33	Fire Dept. - Civilian	Secretary
Granados, Linda P	18	PW - Sanitation	Management Analyst
Hansen, Nels A	24	Dept. of Airports	Security Officer
Harryman, Ronald B	18	Library Dept.	Librarian
Hilliard, Evelyn Bernice	4	Dept. of Transportation	Crossing Guard
Hom, Judith A	39	Fire Dept. - Civilian	Exec Admin Asst
Hu, Hui	1	Library Dept.	Messenger Clerk
Ibrahimi, John I	40	Harbor Dept.	Civil Engrg Assoc
Jimenez, Jaime R	26	PW - Engineering	Survey Party Chief
Johnson, Collins Andrew	31	GSD - Bldg. Svcs.	Maint & Constr Helper
Kanan, Patrick J	42	Dept. of Rec. & Parks	Sr Recreation Dir
Keehne, Daniel S	35	Dept. of Airports	Airport Police Ofcr
Keoseian, Verkin A	37	Personnel Dept.	Management Analyst
Ko, Agnes H	31	Dept. of Rec. & Parks	Sr Mgmt Analyst
Kobaissi, Charlie N	38	Dept. of Airports	Equipmnt Mechanic
Lin, Carolyn Marie	16	Dept. of Airports	Envirn Affrs Ofc
Lowe, Rhonda Pantellas	13	City Attorney's Office	Deputy City Attorney
Lozano, Eddie F	30	Dept. of Rec. & Parks	Carpenter
Lucero, Godofredo B	17	Dept. of Airports	Security Officer
Magpoc, Roberto Tiongson	30	Police Dept. - Civilian	Sr Administrative Clerk
Mai, Thanh V	30	PW - Engineering	Civil Engrg Assoc
Maniquiz, Josefina B	34	PW - Sanitation	Laboratory Tech
Mariscal, Rebecca A	21	Library Dept.	Administrative Clerk
Maslin, Edward Foster	8	Dept. of Airports	Deputy GM
Mckenzie, Rosetta O	37	Dept. of Rec. & Parks	Sr Systems Analyst
Medina, Adolfo	34	PW - Contract Admin	Constr Inspector
Mfume, Rashad A	27	Controller's Office	Financial Mgmt Spec
Montanez, Sandra Cuevas	31	Police Dept. - Civilian	Police Service Rep
Moreno, Frank	34	Dept. of Rec. & Parks	Mech Repairer
Mowery, Georgia M	25	Dept. of Transportation	Sr Project Coordinator
Munn, Andre D	37	Dept. of Airports	Airport Police Ofcr
Najera, Marylou	25	PW - Sanitation	Secretary
Nash, Lawrence J	31	Library Dept.	Sr Librarian
Nguyen, Lien Ng	31	LACERS	Management Analyst
Ohanian, Edick B	35	PW - Engineering	Pr Civil Engineer
Olson, Christophe Lee	36	Dept. of Transportation	Sr Traffic Supv
Omahony, John	18	PW - Contract Admin	Constr Inspector
Ortiz, Bryan S	25	Dept. of Airports	Airport Police Ofcr
Peters, Carolina L	39	Office of the City Clerk	Program Aide
Poire, Matt	25	PW - Sanitation	Carpenter Supvr

Powell, Avis K	31	Dept. of Transportation	Sr Traffic Supv
Quattlebaum, Raashi H	10	PW - St. Lighting	St Light Engr Assoc
Raasch, Daryl R	35	Harbor Dept.	Sr Civil Engineer
Ramirez, Fernando	32	Police Dept. - Civilian	Graphics Designer
Ramirez, Kurt	35	Harbor Dept.	Survey Party Chief
Ramiro, Lourdes Castillo	17	Dept. of Bldg. & Safety	Accountant
Rodriguez, Maritza	16	Office of the City Clerk	Accounting Clerk
Romero, Jose C	19	Dept. of Airports	Air Cond Mechanic
Roxas, Gina Calon	31	Police Dept. - Civilian	Sr Administrative Clerk
Royles, Edward B	20	Harbor Dept.	Port Pilot
Sanchez, Precy T	31	Dept. of Bldg. & Safety	Accounting Rec Supvr
Shen Torbik, Emily C	2	Library Dept.	Librarian
Singer, Charles A	44	Dept. of Rec. & Parks	Supt Of Operations
Smith, Rodney C.	34	Dept. of Transportation	Sr Traffic Supv
Spencer, Case D	30	PW - Sanitation	Envrmntl Engineer
Stumbo, Jane E	6	Dept. of Aging	Social Worker
Tapp, Lori Jean	5	GSD-Purchasing	Buyer
Torres, Virgilio B	29	Harbor Dept.	Land Surveying Asst
Touch, Jaime K	20	Harbor Dept.	Sr Systems Analyst
Trieu, Dao To	30	ITA	Programmer/Analyst
Trimarchi, Anthony	6	Police Dept.	Security Officer
Trujillo, Gabriela	31	GSD - Bldg. Svcs.	Sr Administrative Clerk
Truong, Nee Hue	31	ITA	Info System Mgr
Van Ness, Robin Leigh	32	Police Dept. - Civilian	Police Service Rep
Vasquez, Albert B	30	GSD - Materials Mgmt.	Storekeeper
Vasquez, Nora Gabriela	29	Dept. of Airports	Sr Custodian Airport
Vaughn, Henry	30	PW - Sanitation	Ref Coll Truck Oper
Vazquez, Alexander R	34	PW - Sanitation	Civil Engineer
Verdejo, Susana G	20	LA Housing Dept.	Accounting Clerk
Vuong, Andy Luan	31	Library Dept.	Dir Of Systems
Wagner-Mees, Drue Anne	23	Library Dept.	Librarian
Walters, Monica Cristina	33	EWDD	Sr Mgmt Analyst
Weeks, William P	33	Personnel Dept.	Asst GM
Weir, Laurie H	6	LA Housing Dept.	Housing Progs Mgr
Whitson, Anthony M	24	GSD - Fleet Services	Tire Repairer

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM V-A

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

Approved Death Benefit Payments

Deceased TIER 1

Beneficiary/Payee

Adams, Nick C

Sheree J Adams for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Antonucci, Fayette Lee

Carl Joseph Antonucci for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Bernardi, Ernani James

Katherine A Landau for the payment of the
Accrued But Unpaid Vested Retirement Allowance
Burial Allowance

Carr, Kathryn P

John Edward Kralick for the payment of the
Burial Allowance

Saundra E Degeneste for the payment of the
Accrued But Unpaid Service Retirement Allowance

Castro, Eddie M

Zenaida M Castro for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Copeland, Fred	Dorothe A Copeland for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Davis, Icile J	David B Davis for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Engelbach, Jean A	Roger Bruce Engelbach for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Gutierrez, Esther S	Ann Hope Gutierrez for the payment of the Accrued But Unpaid Continuance Allowance Elizabeth R Gutierrez for the payment of the Accrued But Unpaid Continuance Allowance
Gutierrez, Theodore C	Sandra Kay Weber for the payment of the Accrued But Unpaid Vested Retirement Allowance
Iverson, Robert E	Iverson Trust Dtd for the payment of the Burial Allowance
Kidd, Felcie Leon	Christopher Leon Kidd for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Malcolm, Shirley Ann	Santos Gilbert Chavez for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Mueller, Margaret L	Heiko E Mueller for the payment of the Accrued But Unpaid Vested Retirement Allowance Burial Allowance
Painter, Judith H	Amy M Painter for the payment of the DRO Lump Sum Jennifer L Painter for the payment of the DRO Lump Sum Laura Ann Schneider for the payment of the DRO Lump Sum
Rodarte, Salvador M	Dolores Rodarte for the payment of the Accrued But Unpaid Vested Retirement Allowance Burial Allowance
Shields, Thomas K	Kathleen A Rademaker for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Stanman, Harriet B	Jennifer L Warwick for the payment of the Accrued But Unpaid Survivorship (Disability) Allowance
Torres, Roberto A	Maria A Torres for the payment of the Accrued But Unpaid Service Retirement Allowance

Tortorice, Connie K	<p>Heather Elaina Tortorice for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance</p> <p>Marissa M Classic for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance</p>
Villalobos, Felisa C	<p>Bernardo M Villalobos for the payment of the Accrued But Unpaid Service Retirement Allowance</p> <p>Xenia Janette Sease for the payment of the Burial Allowance</p>
Ward, Lawrence T	<p>Lawrence T Ward for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance</p>
Washington, Solomon	<p>Mildred Kay Washington for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance</p>
Wright, Frank C	<p>Carolyn L Wright for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance</p>
Zawrotny, Robert J	<p>Corazon T Zawrotny for the payment of the Accrued But Unpaid Service Retirement Allowance</p> <p>Norma Lynn Zawrotny for the payment of the Burial Allowance</p> <p>Steven Craig Zawrotny for the payment of the Burial Allowance</p>

TIER 3
NONE



Agenda of: MAY 12, 2020

Item No: V-B

MARKETING CESSATION REPORT NOTIFICATION TO THE BOARD

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

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

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

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM CONTRACTS LIST
FOR THE MAY 12, 2020 BOARD MEETING

CONTRACTS UNDER CONSIDERATION FOR RENEWAL

NO.	VENDOR / CONSULTANT	DESCRIPTION	INCEPTION DATE	EXPIRATION DATE	MARKETING CESSATION STATUS	RESTRICTED PERIOD*	
						START	END
CITY ATTORNEY							
1.	Foley & Lardner, LLP	Legal Services - Health & Data Privacy Law	Pending	Pending	Board Approved on 8/27/2019; Contract under review for execution.	05/27/2019	05/27/2020
2.	Hogan Marren Babbo & Rose, Ltd	Legal Services - Health & Data Privacy Law	Pending	Pending	Board Approved on 8/27/2019; Contract under review for execution.	05/27/2019	05/27/2020
3.	Orrick, Herrington & Sutcliff, LLP	Legal Services - Health & Data Privacy Law	Pending	Pending	Board Approved on 8/27/2019; Contract under review for execution.	05/27/2019	05/27/2020
4.	Polsinelli, LLP	Legal Services - Health & Data Privacy Law	Pending	Pending	Board Approved on 8/27/2019; Contract under review for execution.	05/27/2019	05/27/2020

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM CONTRACTS LIST
FOR THE MAY 12, 2020 BOARD MEETING

CONTRACTS UNDER CONSIDERATION FOR RENEWAL

NO.	VENDOR / CONSULTANT	DESCRIPTION	INCEPTION DATE	EXPIRATION DATE	MARKETING CESSATION STATUS	RESTRICTED PERIOD*	
						START	END
HEALTH BENEFITS ADMINISTRATION							
5.	Anthem 2020	Medical HMO & PPO	01/01/2020	12/31/2020	Board Approved on 8/28/2019; Contract under review for execution.	01/01/2020	12/31/2020
6.	Anthem Blue View Vision 2020	Vision Services Contract	01/01/2020	12/31/2020	Board Approved on 8/28/2019; Contract under review for execution.	01/01/2020	12/31/2020
7.	Delta Dental 2020	Dental PPO and HMO	01/01/2020	12/31/2020	Board Approved on 8/28/2019; Contract under review for execution.	01/01/2020	12/31/2020
8.	Kaiser 2020	Medical HMO	1/1/2020	12/31/2020	Board Approved on 8/28/2019; Contract under review for execution.	1/1/2020	12/31/2020
9.	SCAN 2020	Medical HMO	1/1/2020	12/31/2020	Board Approved on 8/28/2019; Contract under review for execution.	1/1/2020	12/31/2020

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM CONTRACTS LIST
FOR THE MAY 12, 2020 BOARD MEETING

CONTRACTS UNDER CONSIDERATION FOR RENEWAL

NO.	VENDOR / CONSULTANT	DESCRIPTION	INCEPTION DATE	EXPIRATION DATE	MARKETING CESSATION STATUS	RESTRICTED PERIOD*	
						START	END
10.	United Healthcare 2020	Medical HMO	1/1/2020	12/31/2020	Board Approved on 8/28/2019; Contract under review for execution.	1/1/2020	12/31/2020
HUMAN RESOURCES							
11.	CPS HR Consulting	Total Compensation Study Consulting Services	Pending	Pending	GM approved contract; negotiations in progress.	1/10/2020	7/10/2020
INVESTMENTS							
12.	BlackRock Institutional Trust, N.A.	Multi Passive Index	6/1/2013	5/31/2020	Board approved contract extension on 3/24/2020; negotiations in progress	3/6/2020	8/31/2020
13.	Dimensional Fund Advisors, LP	Active U.S. Treasury Inflation Protected Securities ("TIPS")	07/01/2014	06/30/2020	On 1/14/20 Investment Committee requested further info from staff before taking action.	01/10/2020	09/30/2020

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM CONTRACTS LIST
FOR THE MAY 12, 2020 BOARD MEETING

CONTRACTS UNDER CONSIDERATION FOR RENEWAL

NO.	VENDOR / CONSULTANT	DESCRIPTION	INCEPTION DATE	EXPIRATION DATE	MARKETING CESSATION STATUS	RESTRICTED PERIOD*	
						START	END
14.	Dimensional Fund Advisors, LP	Active Non-U.S. Equities Emerging Markets Value	07/01/2014	06/30/2020	Board approved contract renewal on 1/28/20; negotiations in progress.	01/10/2020	09/30/2020
15.	Neuberger Berman Fixed Income LLC	Active Core Fixed Income	7/1/2013	6/30/2020	Board approved contract extension on 2/26/2020; negotiations in progress.	3/6/2020	12/30/2020
16.	Principal Global Investors, LLC	Active U.S. Mid Cap Core Equities	07/01/2014	06/30/2020	Board approved contract renewal on 1/28/20; negotiations in progress.	01/10/2020	09/30/2020

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

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

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CONTRACTS LIST FOR THE MAY 12, 2020 BOARD MEETING

ACTIVE RFPs AND RFQs

NO.	DESCRIPTION	MARKETING CESSATION STATUS AND VENDOR RESPONSES
INTERNAL AUDIT		
1	External Auditor	<p>RFP Release Date: March 2, 2020</p> <p>Submission Deadline: April 17, 2020</p> <p>Status: Proposals pending evaluation.</p> <p>List of Respondents: BDO USA, Brown Armstrong, CPA, Clifton Larson Allen LLP, Eide Bailey LLP, Macias, Ginni, and O'Connell, LLP, Moss Adams, Williams, Adley, and Company.</p>
INVESTMENTS		
2	Core Fixed Income RFP	<p>RFP Release Date: August 19, 2019</p> <p>Submission Deadline: October 4, 2019</p> <p>Status: In progress</p> <p>List of Respondents: Amundi Pioneer Institutional Asset Management, Inc., Baird Advisors, BlackRock, Inc., BMO Global Asset Management, Brown Brothers Harriman & Co., C.S. McKee, L. P., Calvert Research and Management (Calvert or CRM), Conning, Dimensional Fund Advisors LP, Dodge & Cox, EARNEST Partners, LLC, FIAM LLC, Galliard Capital Management, Garcia Hamilton & Associates, L.P., Goldman Sachs Asset Management L.P., Guggenheim Partners Investment Management, LLC, Income Research & Management, Integrity Fixed Income, Management, LLC, Invesco Advisers, Inc., J.P. Morgan Asset Management, Jennison Associates LLC, Lazard Asset Management LLC, LM Capital Group, LLC, Longfellow Investment Management Co., LLC, Loomis, Sayles & Company, L.P, Manulife Investment Management, MFS Institutional Advisors, Inc., Morgan Stanley Investment Management, National Investment Services, Neuberger Berman, Nuveen, LLC, Payden & Rygel, PGIM Fixed Income, Piedmont Investment Advisors, Inc., PIMCO, Princeton Asset Management, LLC, Progress Investment Management Company, LLC, Pugh Capital Management, Inc., Quadratic Capital Management LLC, Ramirez Asset Management, Schroder Investment Management North America Inc., Securian Asset Management, Inc., Segall Bryant & Hamill, Sit Investment Associates, Inc. (Sit), SLC Management, Smith Graham & Co., Investment Advisors, L.P., Sterling Capital Management LLC, T. Rowe Price Associates, Inc., TCW Group, Inc., The Capital Group Companies, Inc., Voya Investment Management (Voya IM), Wellington Management Company LLP, Wells Fargo Asset Management, Western Asset Management Company, LLC</p>

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CONTRACTS LIST FOR THE MAY 12, 2020 BOARD MEETING

ACTIVE RFPs AND RFQs

NO.	DESCRIPTION	MARKETING CESSATION STATUS AND VENDOR RESPONSES
3	Emerging Market Debt Mandate Search	<p>RFP Release Date: June 19, 2019</p> <p>Submission Deadline: July 22, 2019</p> <p>Status: On February 11, 2020, the Investment Committee advanced four firms as semi-finalists: Ashmore Investment Management; Wellington Management Company LLP; PGIM Fixed Income, Schroder Investment Management North America Inc.</p> <p>List of Respondents: Eaton Vance Management, Ashmore Investment Management, Capital Group, Fidelity Institutional Asset Management, GAM USA, INC., Northwest Passage Capital Advisors LLC, Payden & Rygel, PGIM Fixed Income, Schroder Investment Management North America Inc., Stone Harbor Investment Partners LP, LM Capital Group, Wellington Management Company LLP, Manulife Investment Management, Global Evolution USA LLC, GoldenTree Asset Management LP, Goldman Sachs Asset Management L.P., Investec Asset Management, Nuveen, A TIAA Company</p>
4	Emerging Market Small Cap Equities Mandate Search	<p>RFP Release Date: June 10, 2019</p> <p>Submission Deadline: July 22, 2019</p> <p>Status: In progress</p> <p>List of Respondents: LMCG Investments, LLC, AQR Capital Management, LLC, Dimensional Fund Advisors LP, EAM Investors, LLC, Ashmore, Cedar Street Asset Management LLC, Copper Rock Capital Partners, LLC, FIAM LLC, Macquarie Investment Management, RBC Global Management, Inc., Capital, River and Mercantile LLC, Schroder Investment Management North America Inc., Somerset Capital Management LLP, Wasatch Advisors, Inc., Kayne Anderson Rudnick Investment Management, Franklin Templeton Investments, Globeflex Capital, LP, Quantitative Management Associates, LLC, State Street Global Advisors Distributor, LLC</p>

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CONTRACTS LIST FOR THE MAY 12, 2020 BOARD MEETING

ACTIVE RFPs AND RFQs

NO.	DESCRIPTION	MARKETING CESSATION STATUS AND VENDOR RESPONSES
5	High Yield Fixed Income and Hybrid High Yield Fixed Income / U.S. Floating Rate Bank Loan Mandate Search	<p>RFP Release Date: February 25, 2019</p> <p>Submission Deadline: April 12, 2019</p> <p>Status: On February 11, 2020, the Board awarded contracts to: High Yield Fixed Income - Loomis, Sayles & Company, L.P. Hybrid Fixed Income/Bank Loans - DDJ Capital Management, LLC Negotiations in progress.</p> <p>List of Respondents: Ares Management LLC, Arena Capital Advisors, LLC, Guggenheim Partners Investment Management, LLC, Aegon Asset Management US, MacKay Shields LLC, Post Advisory Group, LLC, Diamond Hill Capital Management, Inc., AXA Investment Managers, Pacific Asset Management, Mesirow Financial Investment Management, Inc., DDJ Capital Management, LLC, Par-Four Investment Management, LLC, PGIM Fixed Income, Beach Point Capital Management LP, KKR Credit, Barrings LLC, Eaton Vance Management, Brigade Capital Management, LP, Morgan Stanley Investment Management, Lord, Abnett & Co. LLC, BlackRock, Inc., L & S Advisors, Inc., Mellon Investments Corporation, Seix Investment Advisors LLC, Legal & General Investment Management, Principal Global, Bain Capital Credit, LP, Princeton Asset Management, LLC, Symphony Asset Management, LLC, PIMCO, The Capital Group Companies, Inc., Loomis, Sayles & Company, L.P., Credit Suisse Asset Management, LLC, J.P. Morgan Asset Management, Hotchkis and Wiley Capital Management, LLC, Northern Trust, CVC Credit Partners, LLC</p>
6	U.S. Small Cap Equities Mandate Search	<p>RFP Release Date: February 25, 2019</p> <p>Submission Deadline: April 12, 2019</p> <p>Status: On December 2, 2019, Investment Committee discussed advancing the following five firms as finalists: Core: Copeland Capital Management, LLC Growth: EAM Investors, LLC; Granahan Investment Management</p> <p>List of Respondents: 361 Capital, LLC, Aberdeen Standard Investments Inc., Acuitas Investments, LLC, Alliance Bernstein AB, Allianz Global Investors AllianzGI, AltraVue Capital, LLC, American Century Investment Management, Inc., AMI Asset Management Corporation, Anchor Capital Advisors LLC, Ariel Investments, LLC, Aristotle Capital Boston, LLC, Axiom Investors, Baron Capital, Barrow, Hanley, Mewhinney, Strauss, LLC, Bernzott Capital Advisors, Bivium Capital Partners, LLC, BlackRock, Inc., BMO Global Asset Management, BNP Paribas Asset Management USA Inc., Boston Advisors, LLC, Boston Partners Global Investors, Inc., Bridge City Capital, LLC, Cadence Capital Management LLC, Capital Impact Advisors, LLC, Capital Prospects LLC, Ceredex Value Advisors LLC, ClearBridge Investments, LLC, Copeland Capital Management, LLC, Dimensional Fund Advisors LP, Driehaus Capital Management LLC, Eagle Asset Management, EAM Investors, LLC, EARNEST Partners, LLC, Eastern Shore Capital Management, a Division of Moody Aldrich Partners, LLC, Eaton Vance Management, Elk Creek Partners LLC, Falcon Point Capital, LLC, Federated MDTA, LLC, FIAM LLC, Fisher Investments, Franklin Advisers, Inc., Frontier Capital Management Company, LLC, Goldman Sachs Asset Management, Granahan Investment Management, Granite Investment Partners, LLC, Great Lakes Advisors, LLC, GW&K Investment Management, LLC</p>

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CONTRACTS LIST FOR THE MAY 12, 2020 BOARD MEETING

ACTIVE RFPs AND RFQs

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

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

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

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



LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

MEETING: MAY 12, 2020

ITEM: VI-A

Neil M. Guglielmo

SUBJECT: NOTIFICATION OF CERTIFIED RESULTS OF THE BOARD OF ADMINISTRATION ELECTION FOR THE FIVE-YEAR TERM ENDING JUNE 30, 2020, AND OFFICIAL FINDINGS AND RECOMMENDATION OF CHALLENGE, AND POSSIBLE BOARD ACTION

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

Recommendation

1. That the Board approve the City Clerk's recommendation that the challenge submitted by Ms. Ann Giagni be denied.
2. That the Board receive and file the certified results of the Retired Member of the Board of Administration Election for the five-year term ending June 30, 2025.

Discussion

On May 5, 2020, the Office of the City Clerk submitted the attached letter with the official findings and recommendation of challenge from Ms. Ann Giagni regarding the Retired Member of the Board Election. After investigating the challenge, the City Clerk confirmed that her Notice of Intent was not received by the City Clerk by the deadline to qualify her as a candidate on the ballot. The City's Clerk's recommendation is that the challenge be denied.

On May 5, 2020, the Office of the City Clerk submitted the attached Letter of Certification of the results of the election held on April 21, 2020. The results indicate that Michael R. Wilkinson received 59.32% of the 4,280 votes cast. Arrangements will be made for the elected member, Michael R. Wilkinson, to be officially sworn in at a future Board of Administration Meeting.

Prepared By: Ani Ghoukassian, Commission Executive Assistant II

NMG/AG

Attachments: 1- Letter from City Clerk regarding challenge submitted by Ms. Ann Giagni
2- Letter from City Clerk of Certification of results

HOLLY L. WOLCOTT
CITY CLERK

PETTY F. SANTOS
EXECUTIVE OFFICER

CITY OF LOS ANGELES CALIFORNIA



ERIC GARCETTI
MAYOR

OFFICE OF THE
CITY CLERK
ELECTION DIVISION

SPACE 300
555 RAMIREZ STREET
LOS ANGELES, CA 90012
(213) 978-0444
FAX: (213) 978-0376

JINNY PAK
DIVISION MANAGER

clerk.lacity.org

May 5, 2020

BOARD Meeting: 05/12/20
Item VI-A
Attachment 1

Members of the Board of Administration
Los Angeles City Employees' Retirement System
202 W. First Street, Suite 500
Los Angeles, CA 90012

Honorable Board Members:

On March 28, 2020, the Office of the City Clerk (City Clerk) received a challenge to the Election for the Retired Member of the Board of Administration of the Los Angeles City Employees Retirement System (LACERS). Please see the attached challenge.

Allegation

The prospective candidate, Ann Giagni, submitted a challenge stating that her Notice of Intent to Run Form had been delivered to the United States Post Office (USPS) by the deadline of 5:00 p.m., February 27, 2020, and therefore, should have been listed as a candidate on the ballot.

Findings

The instructions in the LACERS Nominating Petition Packet stated that, "The Notice of Intent to Run Form with an Optional Qualification Statement and Occupation Ballot Designation must be submitted by 5:00 p.m., on February, 27, 2020, either by U.S. Postal Mail in time to be received by the deadline, or by personal delivery to the City Clerk – Election Division Office at 555 Ramirez Street, Space 300, Los Angeles CA, 90012..." On February 27, 2020, City Clerk staff conducted a final mail pickup at the USPS Central Mail Office, however, Ms. Giagni's Notice of Intent was not in the City Clerk's post office box at the time of that deadline. Therefore, the City Clerk was not able to certify her as a candidate.

The City Clerk's deadlines are firm and the Clerk is not in a position to waive those deadlines. It is the responsibility of candidates to take actions to ensure that their Notice of Intent is received by the Clerk by the deadline as required and as explained in the instructions. Further, the City Clerk is not responsible for delays caused by the USPS procedures or operations. This is consistent with how election filing deadlines are administered in other election contexts.

Recommendation

The City Clerk has responded to her challenge that her Notice of Intent was not received by the City Clerk by the deadline to qualify her as a candidate on the ballot. Therefore, we recommend that the challenge be denied.

Sincerely,

A handwritten signature in blue ink, appearing to read "JyR", is positioned above the typed name.

Jinny Pak, Chief
Election Division

Attachment

March 28, 2020

Ms Holly L. Wolcoft, City Clerk
Office of the City Clerk
200 N. Spring Street
City-Hall Room 360
Los Angeles, CA 90012

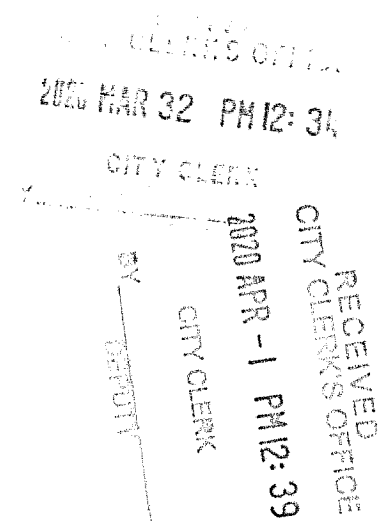
Mr. Neil M Guglielmo, General Manager
LACERS
202 W. First Street Suite 500
Los Angeles, CA 90012-4401

Dear Ms Wolcoft and Mr. Guglielmo

This letter is to inform you I intend to challenge the outcome of the LACERS election for the upcoming vacant retiree position on the LACERS Board of Administration. Please provide me the procedures and necessary forms to do so.

In paragraph "February 27 (Thurs.)." of the "2020 Election Calendar" two methods for submitting the "Notice of Intent to Run" are offered." First is personal delivery to the Election Division office on Ramirez Street. Second is delivery by "U.S. Postal Mail."

The City Clerk Election Division included a return envelope with the materials sent. This envelope had the



address "City Clerk-Election Division, P.O. Box 54377, Los Angeles, CA, 90099-9253." Clearly a prospective candidate selecting to use the "U.S. Postal Mail" was to mail their paperwork to this address. The instructions were clear: delivery had to occur no later than 5 pm February 27, 2020.

I sent my materials by Express Mail on March 26, 2020. As indicated on the attached notice from the Post Office, they arrived at 11:41 am on February 27, 2020. My name was not listed on the ballot I received on March 25. I immediately emailed both LACERS and the City Clerk Election Division about this omission.

Mr. Mariscal, on behalf of "ClerkElection," responded to my March 25, 2020 email on March 26. He states between February 21 to March 17 there were "daily runs" to the post office. Further he claims that while the Express Mail envelop was received February 27 at the Post Office "it was not placed in our post office box until March 5", seven days after the arrival time on the tracking notice.

On March 28, 2020 I spoke by phone with Talitha at the USPS Headquarters. According to her, the delivery date on the Tracking Notice I provided is the date the item was placed into the P.O. Box. Further, she stated the item was scanned when it was given to an individual picking it up at the postal facility upon presentation of their identification. Based on this information my position is

that my documents arrived at the City Clerks P.O. Box before 5pm February 27, 2020. I should have been listed on the ballot along with my personal statement.

Please provide the necessary information to challenge this election as soon as possible.

Thank you,


Ann Giagni


Attachments:

USPS Express Mail Receipt

USPS verification of delivery

Personal Statement

March 25 email from Ann Giagni to "Clerk. Election"

March 26 email from Bernie Mariscal to Ann Giagni

CUSTOMER USE ONLY

FROM: (PLEASE PRINT) A. Bacon **PHONE:** () _____

[Redacted Address]

PAYMENT BY ACCOUNT (if applicable)

USPS® Corporate Acct. No. _____ Federal Agency Acct. No. or Postal Service™ Acct. No. _____

DELIVERY OPTIONS (Customer Use Only)

☐ **SIGNATURE REQUIRED** Note: The mailer must check the "Signature Required" box if the mailer: 1) Requires the addressee's signature; OR 2) Purchases additional insurance; OR 3) Purchases COD service; OR 4) Purchases Return Receipt service. If the box is not checked, the Postal Service will leave the item in the addressee's mail receptacle or other secure location without attempting to obtain the addressee's signature on delivery.

Delivery Options

☐ No Saturday Delivery (delivered next business day)

☐ Sunday/Holiday Delivery Required (additional fee, where available*)

☐ 10:30 AM Delivery Required (additional fee, where available*)

*Refer to USPS.com® or local Post Office™ for availability.

TO: (PLEASE PRINT) **PHONE:** () _____

City Clerk - Election Div

P.O. Box 54377

90089-9253

ZIP + 4® (U.S. ADDRESSES ONLY)

- For pickup or USPS Tracking™, visit USPS.com or call 800-222-1811.
- \$100.00 insurance included.



EL 566116881 US



**PRIORITY
★ MAIL ★
EXPRESS™**

ORIGIN (POSTAL SERVICE USE ONLY)

☐ 1-Day ☐ 2-Day ☐ Military ☐ DPO

PO ZIP Code <u>90089</u>	Scheduled Delivery Date (MM/DD/YY) <u>7-27-20</u>	Postage \$ <u>26.35</u>	
Date Accepted (MM/DD/YY) <u>7-26-20</u>	Scheduled Delivery Time <input type="checkbox"/> 10:30 AM <input type="checkbox"/> 3:00 PM <input type="checkbox"/> 12 NOON	Insurance Fee \$	COD Fee \$
Time Accepted <u>7</u> <input type="checkbox"/> AM <input type="checkbox"/> PM	10:30 AM Delivery Fee \$	Return Receipt Fee \$	Live Animal Transportation Fee \$
Weight <u>1</u> lbs. <u>90</u> ozs.	Sunday/Holiday Premium Fee \$	Total Postage & Fees \$ <u>26.35</u>	
<input type="checkbox"/> Flat Rate		Acceptance Employee Initials <u>117</u>	

DELIVERY (POSTAL SERVICE USE ONLY)

Delivery Attempt (MM/DD/YY)	Time <input type="checkbox"/> AM <input type="checkbox"/> PM	Employee Signature
Delivery Attempt (MM/DD/YY)	Time <input type="checkbox"/> AM <input type="checkbox"/> PM	Employee Signature

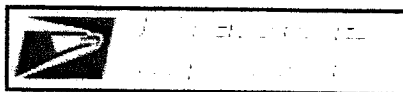
LABEL 11-B, SEPTEMBER 2015

PSN 7690-02-000-9996

2-CUSTOMER COPY

Ann Giagni

From: auto-reply@usps.com
Sent: Thursday, February 27, 2020 12:31 PM
To: [REDACTED]
Subject: USPS® Item Delivered EL566116881US



Hello Ann Giagni,

Your item was delivered at 11:41 am on February 27, 2020 in LOS ANGELES, CA 90054. Waiver of signature was exercised at time of delivery.

Tracking Number: EL566116881US

Delivered



Tracking & Delivery Options

My Account

Visit [USPS Tracking®](#) to check the most up-to-date status of your package. Sign up for [Informed Delivery®](#) to digitally preview the address side of your incoming letter-sized mail and manage your packages scheduled to arrive soon! To update how frequently you receive emails from USPS, log in to your [USPS.com](#) account.

Want regular updates on your package? [Set up text alerts.](#)

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online or via email.



I entered City service as a children's librarian at the Watts library. During my ten years as a librarian I was also active in AFSCME Local 2626 as a steward, contract negotiator and President. I promoted out of the library and spent the next 21 years in a variety of departments ending my career as Director of Financial Management in the Bureau of Sanitation and lastly as Director of Workforce Development in CDD. I retired in 2004 to care for my parents and co-parent my three young children. I have actively studied various classes of investments and investing strategies. In 2014 I received my law degree from Southwestern Law School graduating in the top 20% of my class. I readily comprehend complex material. I am skilled at digging into details and constructing an accurate big picture. I am willing to challenged entrenched interests. I offer thoughtful, out-of-the-box thinking. For example: Should LACERS join the City in exploring the development of a public bank? Should LACERS invest a small percent of its assets into physical gold bullion as the Texas Teachers Retirement Fund and the University of Texas have done?

I respectfully request your vote. Thank you.

Ann Giagni

From: Ann Giagni [REDACTED]
Sent: Wednesday, March 25, 2020 8:06 PM
To: 'Clerk.Election@lacity.org'
Subject: LACERS Retiree Board member election
Attachments: Lacer election 13.pdf

As the attached documents verify, I submitted my documents to run for the retiree position on the LACERS board and they were received on time. I am not on the ballot I received today. Can you explain why? What can be done?

Ann Giagni
[REDACTED]

3/28/2020

Ann Giagni

From: bernie.mariscal@lacity.org on behalf of Clerk Election [clerk.election@lacity.org]
Sent: Thursday, March 26, 2020 3:31 PM
To: Ann Giagni
Subject: Re: LACERS Retiree Board member election

Good afternoon Ms. Giagni,

Thank you for reaching out to our office and bringing this to our attention. After researching the matter, we have found that your Notice of Intent was received by our office after the February 27 deadline, and therefore, we were not able to certify you as a candidate for this upcoming LACERS Election.

The City Clerk - Election Division's mail pick up schedule is heavily dependent on pending activities, however, during the period of February 21 to March 17, staff performed daily runs to the Central post office due to the administration of another mail-ballot election.

So while your Priority Mail Envelope indicated the scheduled delivery date of February 27, it was in not in our post office box until March 5. Unfortunately, as our office does not have control over the mail sorting process, items received in our mailbox by the deadline is what is officially counted, as stated in the nominating packet.

And while the mail delivery process may be beyond our control, we sincerely apologize for not having informed you of the late receipt of your Notice.

Please let us know if you have any further questions by responding to this email or contacting us at (213) 978-0440.

Thank you.

City of Los Angeles | Office of the City Clerk | Election Division

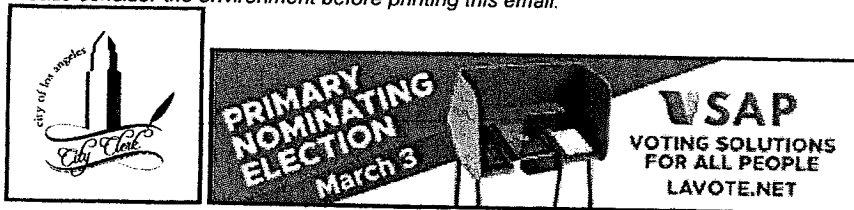
Piper Technical Center | 555 Ramirez Street | Ste. 300 | Los Angeles | CA 90012

Tel: 213.978.0444 | Fax: 213.978.0376

SUBSCRIBE AND RECEIVE EMAIL NOTIFICATIONS FROM THE ELECTION DIVISION. [CLICK HERE.](#)

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services, and activities.

Please consider the environment before printing this email.



Connect with the Clerk:



3/27/2020

HOLLY L. WOLCOTT
CITY CLERK

PETTY F. SANTOS
EXECUTIVE OFFICER

CITY OF LOS ANGELES
CALIFORNIA



ERIC GARCETTI
MAYOR

OFFICE OF THE
CITY CLERK
ELECTION DIVISION

SPACE 300
555 RAMIREZ STREET
LOS ANGELES, CA 90012
(213) 978-0444
FAX: (213) 978-0376

JINNY PAK
DIVISION MANAGER

clerk.lacity.org

BOARD Meeting: 05/12/20
Item VI-A
Attachment 2

May 5, 2020

Members of the Board of Administration
Los Angeles City Employees' Retirement System
202 W. First Street, Suite 500
Los Angeles, CA 90012

Honorable Board Members:

Transmitted herewith are the certified results of votes cast in the Election for the Retired Member of the Board of Administration of the Los Angeles City Employees' Retirement System (LACERS) held on April 21, 2020.

In addition, please find attached, our report of findings and recommendations regarding a challenge submitted by a prospective candidate.

If you have any questions, please contact Yvonna Contreras or Cassandra Marucut of the Election Division at (213) 978-0440. Thank you.

Sincerely,

Holly L. Wolcott
City Clerk

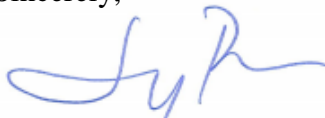
Attachments

STATE OF CALIFORNIA)
) SS
COUNTY OF LOS ANGELES)

I, HOLLY L. WOLCOTT, City Clerk of the City of Los Angeles, hereby certify to the Members of the Board of Administration that I have canvassed the returns for the Election for the Retired Member of the Board of Administration of the Los Angeles Employees' Retirement System on April 21, 2020 and certify the attached canvass of returns to be a true, correct and complete canvass of the returns of said election.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal this 5th day of May 2020.

Sincerely,



HOLLY L. WOLCOTT
City Clerk

Attachment

**CITY OF LOS ANGELES
OFFICE OF THE CITY CLERK - ELECTION DIVISION**

Election for the Retired Member of the Board of Administration of the
Los Angeles City Employees' Retirement System (LACERS)

Election Date - APRIL 21, 2020

SUMMARY OF OFFICIAL TALLY RESULTS

CANDIDATE	VOTES CAST	PERCENT
MERLO M. MANAOIS	184	4.30%
MICHAEL R. WILKINSON (INCUMBENT)	2539	59.32%
PATIENCE H. LYONS	391	9.14%
TERRY SAUER	1138	26.59%
No Votes	2	0.05%
Over Votes	14	0.33%
Write-In Candidates	12	0.28%
TOTAL BALLOTS CAST	4280	

TOTAL BALLOTS MAILED	16,188
TOTAL BUSINESS REPLY MAIL (BRM) ENVELOPES RETURNED	4,380
TOTAL CHALLENGED	100
TOTAL BALLOTS CAST	4,280
VOTER TURNOUT	27.06%



Jinny Pak, Chief
Election Division

5/5/2020
Date

CITY OF LOS ANGELES
OFFICE OF THE CITY CLERK - ELECTION DIVISION
Election for the Retired Member of the Board of Administration of the
Los Angeles City Employees' Retirement System (LACERS)
April 21, 2020

SUMMARY OF CHALLENGES

<u>TYPES OF CHALLENGES UPON VERIFICATION/TALLY</u>	<u>QUANTITY</u>
Ballot in Business Reply Envelope without Identification Envelope	11
Identification Envelope with no ballot	3
Identification Envelope without voter's signature	3
Identification Envelope with no information filled out	27
Identification Envelope without SSN	42
Identification Envelope with wrong SSN	6
Identification Envelopes not found on roster	8
TOTAL	100

REPORT TO BOARD OF ADMINISTRATION

From: Governance Committee

Nilza R. Serrano, Chair

Annie Chao

Cynthia M. Ruiz

MEETING: MAY 12, 2020

ITEM: VII – B

SUBJECT: POLICY DISCUSSION REGARDING TOTAL COMPOSITION OF WORKFORCE FORM AND POSSIBLE BOARD ACTION

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

Recommendation

That the Board discuss and consider recommendation of policies regarding:

1. The appropriate time and mechanism for requiring submission of the Total Composition of Workforce in connection with LACERS' Request for Proposal process, contract award and renewal process; and
2. LACERS' collection and analysis of the data from the Total Composition of Workforce form and other sources to continue to improve the Board's outreach programs to further LACERS' interest in emerging investment managers.

Discussion

At its meeting of December 10, 2019, the Governance Committee discussed the attached staff report regarding the use of the Total Composition of Workforce form (TCWF) and whether information contained in this form was appropriate for review by the Board during the contract award process. Staff clarified that a completed TCWF was requested by staff of the proposal candidates during the proposal submission stage of the Request for Proposal (RFP) process strictly for data gathering purposes. Proposal candidates included public market investment managers and several other types of firms who provide services related to investment and departmental operations.

The discussion also referred to an April 9, 2015, advice memorandum from the City Attorney's office to the Board that summarized a legal framework for appropriate and inappropriate uses of information contained in the TCWF including ethnic, racial, and gender information. The memorandum advised that requiring the TCWF from candidates during the RFP process may present a legal liability to LACERS; collecting such information could lead to an appearance that candidate selection and contract award

decisions were based on minority preferences. Appropriate uses of the TCWF include the consideration of information in certain, limited situations. For example, the Board may use such data to formulate race- and gender-neutral programs to promote diverse participation in LACERS' contracting opportunities without discriminating or providing preferential treatment to any group.

After further discussion and debate, the Committee directed that this policy matter be referred directly to the Board for consideration. To aid the Board with this task, the Committee also directed staff to survey other pension plans regarding practices of collecting diversity information, specifically from investment managers, and to present the survey results in the Committee's report to the Board.

Accordingly, LACERS Investment staff conducted a survey focused on contractor and workforce diversity data-collection practices of peer public pension plans. The results of the survey are contained in the matrix and the ensuing narrative below

		Survey Respondents		
		Non-California Public Pension Plans	California Public Pension Plans	<i>Total</i>
Does Not Collect Contractor Workforce Diversity Data		1	6	<u>7</u>
Collects Contractor Workforce Diversity Data	<i>Prior to Contract Award</i>	4	1 (voluntary for prospect)	<u>5</u>
	<i>After Contract is Awarded</i>	2	2	<u>4</u>
<i>Total</i>		<u>7</u>	<u>9</u>	<u>16</u>

Of the 16 responses received, seven were out-of-state public pension plans and nine were California-based public pension plans. Among those seven out-of-state plans, only one did not require disclosure of workforce diversity from their contractors, citing the lack of advice or direction to support such a practice. Of the six that collected workforce diversity data, two confirmed that they discussed workforce diversity information with their investment managers but only do so subsequent to contract awards and funding. Four respondents cited collection of workforce diversity data as a part of due diligence prior to awarding of a contract. It should be noted that three of those four plans are mandated by state law to collect and consider such information (within the bounds of financial and fiduciary prudence) prior to the awarding of a contract.

Among the nine California-based pension plans, six did not require disclosure of workforce diversity from their contractors at any stage. Various reasons were cited including the lack of interest or guidance from either the pension plan's board and/or management, the belief that such information is not relevant in the selection or retention of investment managers, and the lack of staff resources to collect, process, and utilize the information meaningfully. Three plans reported the collection of workforce diversity data. Of these, one collects workforce diversity data during the due diligence process, but does so on a

voluntary basis and in a non-prescriptive manner; the other two collect such information only from their current or existing managers, both citing California Proposition 209 and its prohibition of minority preferences in public contracting.

Strategic Plan Impact Statement

The discussion of policy governing the use of the Total Composition of Workforce form is consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

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

RJ/BF/JP

Attachment: 1. Governance Committee Report from December 10, 2019



REPORT TO GOVERNANCE COMMITTEE

From: Lita Payne, Executive Officer *Lita Payne*

MEETING: DECEMBER 10, 2019

ITEM: V

SUBJECT: POLICY DISCUSSION REGARDING TOTAL COMPOSITION OF WORKFORCE FORM AND POSSIBLE COMMITTEE ACTION

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

Recommendation

That the Committee discuss and consider recommendation of Board policies regarding:

- (1) The appropriate time and mechanism for requiring submission of the Total Composition of Workforce form in connection with LACERS' Request for Proposal and contract award process; and
- (2) LACERS' collection and analysis of the data from the Total Composition of Workforce form and other sources to continue to improve the Board's outreach programs to further LACERS' compelling interest in providing contracting opportunities to diverse, highly qualified candidates.

Discussion

The Board contracts with many consultants, managers, and vendors. In recent years, the Board has not considered or adopted a Board policy addressing the use of the Total Composition of Workforce form (Attachment 1). Recent practice, however, has been for the Total Composition of Workforce form to be completed and submitted by candidates during the proposal submission portion of a Request for Proposal process. Staff believes this form has been included in the proposal submission process for some, but not all, categories of contracts. The purpose of requiring the document is strictly for data gathering.

As a government agency, the Board is prohibited by Federal and California constitutional law from considering race, ethnicity, or gender when making public contracting decisions. As the Board was advised in 2015, the Board may lawfully consider these factors in certain limited contexts, such as information gathering that serves a compelling government interest, so long as the program does not discriminate or grant preferential treatment to any group. For example, the Board may consider the information reported on the Total Composition of Workforce form when formulating race- and gender-neutral programs to promote the compelling goal of diverse participation in LACERS' contracting opportunities, without discriminating or providing preferential treatment to any group. The Board has waived the attorney-client privilege concerning this April 9, 2015 advice memorandum, and it is included for the Committee's ease of reference (Attachment 2).

Strategic Plan Impact Statement

The consideration of this policy supports Strategic Plan Goal 5, Governance, by striving to engage in sound governance practices through maintaining Board Governance Policies that show transparency, responsibility, and commitment.

Prepared By: Lita Payne, Executive Officer

LP

Attachments: 1. Total Composition of Workforce Form
2. Minority Preferences in Public Contracting Post Proposition 209 memo dated April 9, 2015

Agenda of DECEMBER 10, 2019Item Number V

GOVERNANCE COMMITTEE

Attachment 1

Vendor
AddressName
Address

Date Completed:

Category

Asset Class

TOTAL COMPOSITION OF WORK FORCE									
<u>Occupation</u>	<u>African American Full Time</u>	<u>Hispanic Full Time</u>	<u>Asian or Pacific Islander Full Time</u>	<u>American Indian/ Alaskan Native Full Time</u>	<u>Caucasian (Non Hispanic) Full Time</u>	<u>Total Employees Full Time</u>	<u>Percent (%) Minority Full Time</u>	<u>Gender</u>	
								<u>Male Full Time</u>	<u>Female Full Time</u>
Officials & Managers	0	0	0	0	0	0	0.00%	0	0
Professionals	0	0	0	0	0	0	0.00%	0	0
Technicians	0	0	0	0	0	0	0.00%	0	0
Sales Workers	0	0	0	0	0	0	0.00%	0	0
Office/Clerical	0	0	0	0	0	0	0.00%	0	0
Semi-Skilled	0	0	0	0	0	0	0.00%	0	0
Unskilled	0	0	0	0	0	0	0.00%	0	0
Service Workers	0	0	0	0	0	0	0.00%	0	0
Other	0	0	0	0	0	0	0.00%	0	0
Total	0	0	0	0	0	0	#DIV/0!	0	0

MEMORANDUM

TO: Board of Administration of the Los Angeles City Employees' Retirement System

FROM: Theresa A. Patzakis, Senior Assistant City Attorney

DATE: April 9, 2015

RE: Minority Preferences in Public Contracting Post Proposition 209

Summary

Members of the Board of Administration have requested guidance from our office as to how diversity may be promoted by LACERS in its contracting within the boundaries of the California Constitution. To this end, we were also asked to examine recent case law addressing Proposition 209¹ and federal court decisions in other jurisdictions which consider whether state or government institutions may take race, ethnicity, and/or gender into consideration.

The law in the area of minority preferences in public contracting is well settled. Race, ethnicity, and gender may not be taken into consideration by the Board when making contracting decisions. Recent case law further affirms this principle, as we did not find any post-Proposition 209 court decisions that permit race, ethnicity, or gender to be taken into consideration in public contracting. California law does allow the Board to consider these factors in certain limited contexts, such as information and data gathering that serves a compelling governmental interest, so long as the exercise does not discriminate or grant preferential treatment to any group.

This memorandum provides a brief synopsis of the legal framework establishing a prohibition on minority preferences in public contracting.

Introduction

City contracting policies and practices must be consistent with the competitive bidding requirements of the City Charter and the Equal Protection Clauses of the state and federal constitutions. The adoption of Proposition 209 by the voters amended the California Constitution, adding yet another layer of restriction on minority preferences and essentially extinguishing such preferences altogether. While much attention has been given to the passage of Proposition 209, the reality is the initiative's passage had little, if any, actual impact on the City's contracting practices. This is because prior to passage of the proposition, the United States Supreme Court's holding in *City of Richmond v. J.A. Croson*

¹ Passed by voters in 1996, Proposition 209 amended the California Constitution to prohibit state, local governments, districts, public universities, colleges, and schools, and other government instrumentalities from discriminating against or giving preferential treatment to any individual or group in public employment, public education, or public contracting on the basis of race, sex color, ethnicity, or national origin.

Co. had triggered sweeping changes to the City's affirmative action programs, bringing them into compliance with the Equal Protection clauses of both the California and United States constitutions. So, even before Proposition 209 was adopted, the City's outreach programs and policies already had been modified to a race and gender neutral format.

Subsequent to the passage of Proposition 209, California courts have permitted consideration of race for information gathering purposes, and/or when the consideration of race or gender does not result in any discrimination or preferential treatment. The courts have consistently invalidated preferential treatment of minority groups in public contracting except in situations which fit within an exception expressly written into the California and/or United States Constitution.

A brief account of the pertinent jurisprudence resulting in the elimination of minority preferences in California is provided below.

Discussion

1. Minority preferences in contracting are incompatible with the competitive bidding requirements of the City's Charter

First and foremost, the City's contracting practices must be consistent with the competitive bidding laws of the City Charter. *Domar Electric v. City of Los Angeles*, 41 Cal. App. 4th 810 (1995). California and federal courts have struck down bid preferences when they violate city charter provisions requiring that contracts be awarded to the lowest responsive and responsible bidder. (See *Associated General Contractors of California, Inc. v. City and County of San Francisco* (9th Cir. 1987) 813 F.2d 922 where the Ninth Circuit concluded that San Francisco's MBE/WBE outreach and subcontracting program violated the low bid requirements of that city's charter. See also *Neal Publishing v. Rolph*, 169 Cal. 190, where the court found that the San Francisco Board of Supervisors could not impose additional conditions - such as the preference for firms with unionized labor - to the competitive bidding provisions in the city charter without violating the charter provision requiring contracts to be awarded to the lowest bidder.) So even before applying an equal protection analysis, the law is well established that City boards and commissions cannot introduce bid preferences and contracting requirements that are inconsistent with the competitive bidding requirements of the Charter. As a result, the City's affirmative action programs historically took the form of subcontracting set asides and outreach requirements to minority firms.

2. Prior to Proposition 209, minority preferences in City sub-contracting programs were required to meet Strict Scrutiny.

In 1989, the United States Supreme Court firmly established that race conscious contracting policies would be subject to strict scrutiny, in the landmark case, *City of Richmond v. J.A. Croson Co.*, (1989) 488 U.S. 469. In *Croson*, the City of Richmond adopted a Minority Business Utilization Plan (MBU Plan) requiring that prime contractors subcontract at least 30% of the dollar amount of the contract to one or more Minority Business Enterprises (MBE's). The sole proposer, J.A. Croson, sued when the City

declined to award it the contract when Croson failed to meet the MBE subcontracting requirement. The Supreme Court struck down the City's MBU Plan, finding it failed to meet strict scrutiny on both prongs of the test: i) that the MBU Plan failed to serve a compelling governmental interest because the City was unable to demonstrate that the MBU Plan was remedying past discrimination in the City's construction industry, and ii) even if the City had shown discrimination with the particularity required by the *Fourteenth Amendment*, the City failed to show that the race-based program was necessary to remedy that past discrimination.

The court noted that race-neutral remedies such as simplifying bidding procedures, training, and relaxing bonding requirements could have potentially improved MBE participation. Accordingly, meeting the requirements of strict scrutiny is an onerous task, but purposefully so. The Supreme Court explains, "racial classifications are simply too pernicious to permit any but the most exact connection between justification and classification." *Wygant*, supra, 476 U.S. 267, 280.²

Subsequent to the U.S. Supreme Court's holding in *Croson*, the City of Los Angeles found itself at the center of equal protection jurisprudence when the City redesigned its affirmative action program into the successful MBE/WBE/OBE subcontractor outreach program. The program required outreach, period – outreach to all contractors, not just minority and women owned enterprises.³ The City's revamped program was nonetheless challenged in 1994 by an unsuccessful proposer, Domar Electric, which alleged a violation of California's equal protection laws. The California Supreme Court upheld the City's program in a 6 to 1 decision, finding that because the program was inclusive of all subcontractors – not just minority and women-owned subcontractors – and focused on outreach without affording any race or gender based preferences, the program not only was legal, but also advanced the goals of the City's charter-mandated competitive bidding laws. *Domar Electric v. City of Los Angeles*, 41 Cal. App. 4th 810 (1995). The City's program remains in place today.

3. Minority preferences that would have survived strict scrutiny were eliminated all together by Proposition 209.

² See *Connerly v. State Personnel Brd.* (2001) 92 Cal. App. 4th 16. "Under the strict scrutiny test, governmental specificity and precision are demanded. The mere recitation of a benign or legitimate purpose is entitled to little or no weight....Moreover, generalized assertions of purpose are insufficient since they provide little or no guidance for the legislative body to narrowly tailor its use of a suspect classification and because they inhibit judicial review under the strict scrutiny test." *Connerly* at 36.

³ The City's MBE/WBE/OBE Outreach Program that requires that contractors conduct and document good faith outreach to all interested subcontractors (MBE/WBE/OBE). If the City were to only require MBE/WBE outreach and not OBE (other business enterprises) outreach, this outreach program would violate the equal protection clauses of the U.S. and California Constitutions. OBE outreach is essential to its legality and basically includes everyone. Hence, while called MBE/WBE/OBE outreach, the City really is just requiring outreach, period. The idea is that by casting a wide net, the City will end up with a more diversified contracting pool.

Soon after the Court's decision in *Domar*, voters passed Proposition 209, which added Article I, Section 31 to the California Constitution, prohibiting state, local governments, districts, public universities, colleges, and schools, and other government instrumentalities from discriminating against or giving preferential treatment to any individual or group in public employment, public education, or public contracting on the basis of race, sex color, ethnicity, or national origin. Since suspect classifications failing the strict scrutiny test were already illegal, the effect of the constitutional amendment in public contracting was that it eliminated the opportunity to create remedial programs using racial and other suspect classifications that could have met strict scrutiny. As further explained by the Supreme Court, "Unlike the equal protection clause, Article I, Section 31 categorically prohibits discrimination and preferential treatment. Its literal language admits no 'compelling state interest' exception." *Hi-Voltage Wire Works v. City of San Jose* (2000) 24 Cal. 4th 537, 567.⁴

Accordingly, a strict scrutiny analysis such as that espoused in *Croson* is no longer in play in California. In adjudicating cases involving allegations of unlawful discrimination or preferential treatment in public contracting, California courts now analyze whether the state or a governmental unit discriminated or granted preferential treatment to any individual or group on the basis of race, sex, color, ethnicity, or national origin. *Hi-Voltage Wire* was one such case where the California Supreme Court had the opportunity to do such an analysis.

In *Hi-Voltage*, the City of San Jose adopted a MBE/WBE outreach program similar to Los Angeles' but with one important difference: outreach was required to MBEs and WBEs, but not to other non-MBE/WBE enterprises. The court found that this program violated Article I, Section 31 of the California Constitution because it gave preferential treatment to minority and women owned firms. In *dicta*, the high court pointed to the City of Los Angeles' outreach program, noting as an example of a lawful race neutral outreach program. *Hi-Voltage* at 565.

In *Connerly v. State Personnel Board* (2001) 92 Cal. App. 4th 16, the California Supreme Court reviewed five statutory programs that fell under the general rubric of affirmative action. The first program vested the director of the California State Lottery Commission with a duty to maximize the participation levels of "socially and economically disadvantaged" small business concerns. Women and minority owned firms were categorically defined as meeting the definition of "socially and economically disadvantaged." The court found that this classification violated Proposition 209, stating that "[t]he fact that some individuals must prove disadvantage while others are conclusively presumed to be disadvantaged based solely on race, ethnicity, and gender, establishes impermissible race, ethnicity and gender classification." *Connerly* at 26. The four other programs were similarly invalidated on constitutional grounds, including a program that involved the selective dissemination of information to minority firms, and one that set goals and timetables to overcome underutilization of minorities and women.

⁴ See also *Connerly v. State Personnel Brd.* (2001) 92 Cal. App. 4th 16, "Proposition 209, on the other hand, prohibits discrimination against or preferential treatment to individuals or groups regardless of whether the governmental action could be justified under strict scrutiny." *Id.* at 18.

However, notwithstanding the prohibition of preferential treatment, in a case that did not concern public contracting, *American Civil Rights Foundation v. Berkeley Unified School District*, 172 Cal. App. 4th 207 (review denied 2009 Cal. LEXIS 6661), the California First Appellate District held that the California Constitution does not prohibit *any* consideration of race, but rather prohibits *discrimination and preferential treatment* based upon race.

“Section 31 does not say that the state shall not consider race for any and all purposes. The constitutional provision prohibits unequal treatment of particular persons and groups of persons; it does not prohibit the collection and consideration of community wide demographic factors.”

In this case, the Berkeley Unified School District sought to take into consideration a multitude of demographics, including race and socio-economic status, in drawing boundary lines for elementary schools within the district with the goal that the student body make-up at each school reflect the diversity of the district at large. The court upheld the school district's school assignment plan as lawful, but was careful to distinguish the kind of preferential treatment and discrimination prohibited by Article I, Section 31, and what it found to be the Berkeley school board's lawful consideration of demographic data to assist it in formulating school assignment policies when the board's exercise resulted in no preferential treatment towards any racial group. The court stated, “While race-conscious decision making that prefers individuals of one race over individuals of another race is unconstitutional, decision makers remain free to recognize that our society is composed of multiple races with different histories, to gather information concerning geographic distribution of the races, and to adopt race-neutral policies in an effort to achieve a fair allocation of resources.” *Id.* at 222. The court also noted that the California Education Code affords school boards and districts broad authority to address the “diverse needs unique to their individual communities” and that the board's practice was pursuant to that specific grant of authority. *Id.* at 216.

Similarly, the *Connerly* court upheld monitoring programs which collect and report data concerning the participation of women and minorities in governmental programs, as not in violation of Proposition 209: “(A)ssuming that strict scrutiny is required, a monitoring program designed to collect and report accurate and up-to-date information is justified by the compelling governmental need for such information. So long as such program does not discriminate against or grant a preference to an individual or group, Proposition 209 is not implicated.” *Connerly*, 92 Cal.App. 4th, at 25. In considering two data collection programs before it, the *Connerly* court upheld the program where the information was to be used by the Legislature for informational purposes, and prospectively. The other data reporting program was invalidated because the court found it to be a supervisory device intertwined with a preferential hiring scheme. *Connerly*, at p. 61-63.

Accordingly, while the California Constitution no longer permits any type of preferential treatment of suspect classifications in public contracting, this does not prohibit any consideration of race whatsoever. However, the challenge is whether this limited area of permissibility can yield any utility in a public contracting setting.

Conclusion

We are unaware of any constitutional public contracting program in California that allows an awarding authority to lawfully consider race when making contracting decisions or setting contracting policy. California law does permit, under certain circumstances, collecting and reporting data regarding minorities and consideration of the information when formulating race and gender-neutral programs to promote diverse participation. To further assist the Board, we would need further clarification as to how the Board may wish to consider race or gender in order to determine its legality in light of the legal framework set forth in this memorandum.

TAP/

2020 TERM ASSET-BACKED SECURITIES LOAN FACILITY EDUCATION



LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

May 12, 2020



BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | PORTLAND | SAN FRANCISCO

SUMMARY

- **The Federal Reserve voted in late March 2020 to establish the Term Asset-Backed Securities Loan Facility (“TALF”).**
- **Similar to the 2008/2009 program, TALF 2020 is intended to support the provision of credit to consumers and businesses by enabling the issuance of Asset-Backed Securities (“ABS”) collateralized by certain eligible assets.**
- **Under the TALF, the Reserve Bank will lend, on a recourse basis, to an SPV that will lend, on a non-recourse basis, to holders of certain AAA-rated ABS backed by newly and recently originated consumer and small business loans.**
- **The Fed expects to make \$100 Billion of TALF loans available.**
- **The loans will have a term of three years, will be nonrecourse to the borrower, and will be fully secured by eligible ABS.**
- **Each ABS deal has different characteristics including margin rates and credit enhancements based on the collateral type and issuer.**
- **Details on the TALF program and an initial list of managers focused on the opportunity are contained on the following pages.**

COMPARING TALF STORIES

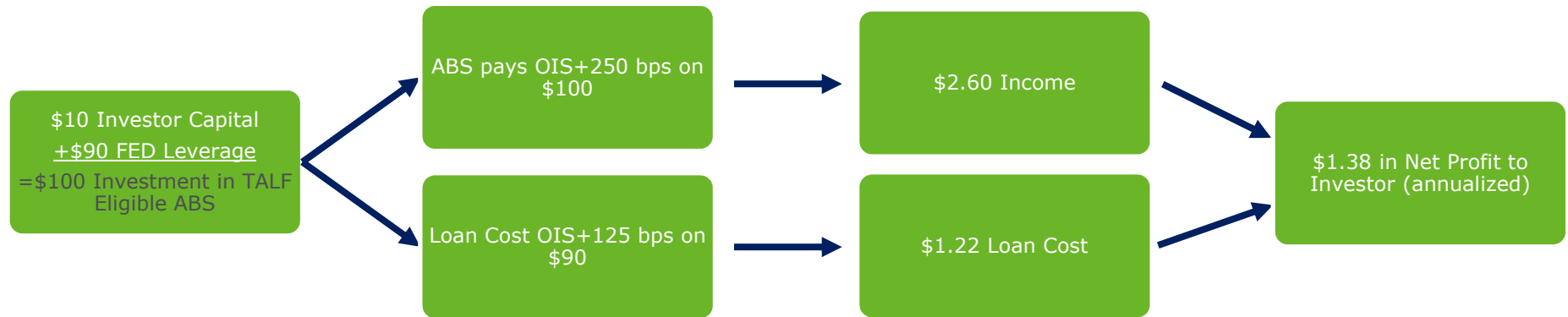
GFC TALF

- **GFC was a financial system crisis**
- **Central banks created solutions to fix market liquidity (including TALF) and the program had to be created resulting in slower implementation**
- **Almost \$200 billion of TALF loans were available from March 2009 until June 2010 resulting in over \$71 billion in loans**
 - Largest recipients of TALF loans were credit card ABS (\$26 billion), auto ABS (\$13 billion) and CMBS (\$12 billion)
- **Markets responded to Fed support leading to tightening spreads**
- **Despite the longer timeline, many TALF funds were not fully drawn and IRRs were lower due to quickly tightening spreads based on the implied government backstop**

COVID-19 TALF

- **Corona Virus is a health care crisis that has resulted in deep economic shock**
- **Existing Central Bank toolkits were dusted off and put in production quickly**
- **TALF 2020 is currently a \$100 billion opportunity set**
 - TALF eligible collateral has been expanded to include support for CLOs, legacy CMBS and SBA loans
- **Market reaction was based on 2009 experience, resulting in rapid spreads tightening for all fed supported areas**
- **Based on lessons learned from past TALF experience, TALF opportunity may be short lived, barring a second leg down in risk assets**

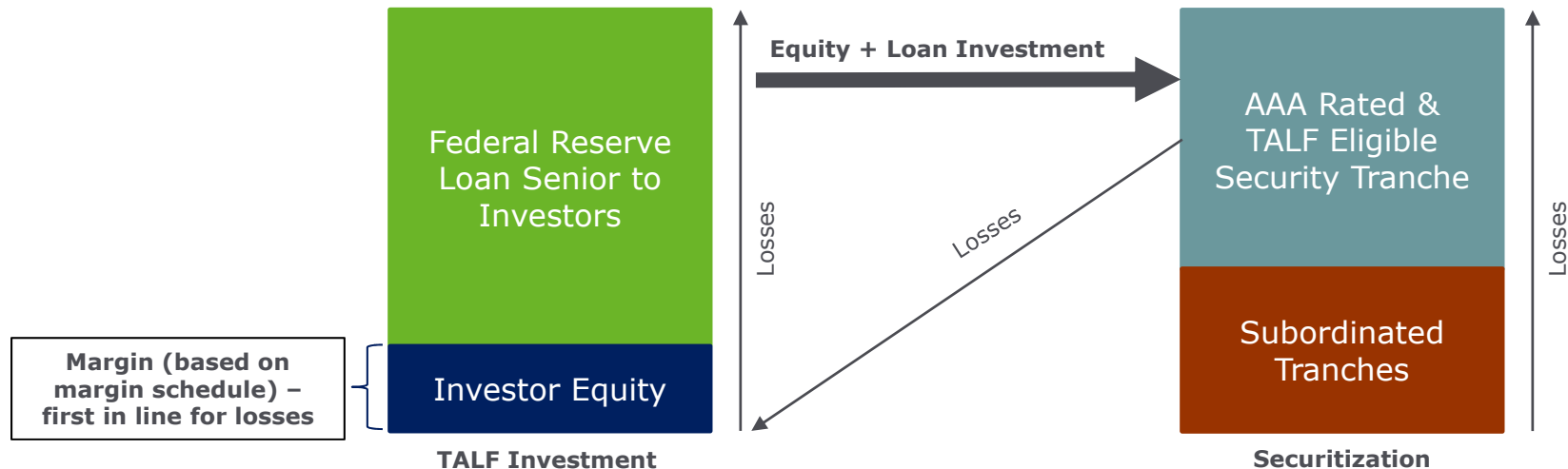
TALF 2020 HYPOTHETICAL RETURN EXAMPLE



\$1.38 net interest received on \$10 total investment = 13.8% gross return per annum for investor

Source: SLC Management

...BUT INVESTORS ABSORB FIRST LOSSES



TALF 2020 – QUICK SUMMARY VIEW

Benefits

- Low-cost leverage
- Non-recourse leverage
- Non mark-to-market leverage
- AAA assets
- Attractive risk/return characteristics
- Relatively short fund lives

Concerns

- Rapid spread tightening since announcement
- Ability by managers to put all committed capital to work in TALF assets
- Investors are in a first loss position
- Investors who aren't first movers may experience lower returns
- Securitized credit may not be a core competency for some firms
- Some managers may lack the appropriate prime brokerage and servicer relationships
- Teams' abilities to service existing portfolios, of which many may be stressed/distressed vs. the attention given to the TALF investments
- Possible A/L mismatch – some assets may have longer life than financing if manager cannot trade out

TALF 2020 DETAILS

	Terms of TALF
Objective	The TALF is a credit facility authorized under section 13(3) of the Federal Reserve Act intended to help meet the credit needs of consumers and businesses by facilitating the issuance of asset-backed securities ("ABS") and improving the market conditions for ABS more generally. The TALF will serve as a funding backstop to facilitate the issuance of eligible ABS on or after March 23, 2020.
Timeline	Loans available from program inception (expected to be May 2020) through September 2020
Eligible Assets	<p>Asset Backed Securities that have a credit rating in the highest long-term or, in the case of non-mortgage backed ABS, the highest short term investment-grade rating category from at least two eligible nationally recognized statistical rating organizations ("NRSROs") and do not have a credit rating below the highest investment-grade rating category from an eligible NRSRO. Underlying credit exposures must be one of the following:</p> <ol style="list-style-type: none"> 1. Auto loan & leases 2. Student loans 3. Credit card receivables (both consumer & corporate) 4. Equipment loans 5. Floorplan loans 6. Insurance premium finance loans 7. SBA loans 8. Leveraged Loans (only static CLOs) 9. Commercial mortgages
Collateral Valuation	Refer to the slide on the haircut schedule for each of the eligible assets. The haircut schedule is consistent with the haircut schedule used for the TALF established in 2008.

Source: federalreserve.gov as of 4/9/20

See the Federal Reserve website for more complete and detailed information.

TALF 2020 DETAILS CONTD.

	Terms of TALF
Leverage Pricing	<p>For CLOs, the interest rate will be 150 basis points over the 30-day average secured overnight financing rate ("SOFR"). For SBA Pool Certificates (7(a) loans), the interest rate will be the top of the federal funds target range plus 75 basis points.</p> <p>For SBA Development Company Participation Certificates (504 loans), the interest rate will be 75 basis points over the 3-year fed funds overnight index swap ("OIS") rate.</p> <p>For all other eligible ABS with underlying credit exposures that do not have a government guarantee, the interest rate will be 125 basis points over the 2-year OIS rate for securities with a weighted average life less than two years, or 125 basis points over the 3-year OIS rate for securities with a weighted average life of two years or greater</p>
Leverage Facility	<p>Each loan provided under this facility will have a maturity of three years.</p> <p>The Department of the Treasury, using the Exchange Stabilization Fund, will make an equity investment of \$10 billion in the SPV.</p> <p>Loans made under the TALF are made <i>without recourse</i> to the borrower, provided the requirements of the TALF are met.</p> <p>Loans made under the TALF will be pre-payable in whole or in part at the option of the borrower, but substitution of collateral during the term of the loan generally will not be allowed.</p>

Source: federalreserve.gov as of 4/9/20.

See the Federal Reserve website for more complete and detailed information.



TALF 2020: HAIRCUT SCHEDULE

The New York Fed will lend to each borrower based on an amount equal to the lesser of the par or market value of the pledged ABS minus a haircut.

Sector	Subsector	ABS Average Life (years)*						
		0-<1	1-<2	2-<3	3-<4	4-<5	5-<6	6-<7
Auto	Prime retail lease	10%	11%	12%	13%	14%		
Auto	Prime retail loan	6%	7%	8%	9%	10%		
Auto	Subprime retail loan	9%	10%	11%	12%	13%		
Auto	Motorcycle/ other rec. vehicles	7%	8%	9%	10%	11%		
Auto	Commercial & govt. fleets	9%	10%	11%	12%	13%		
Auto	Rental fleets	12%	13%	14%	15%	16%		
Credit Card	Prime	5%	5%	6%	7%	8%		
Credit Card	Subprime	6%	7%	8%	9%	10%		
Equipment	Loans & Leases	5%	6%	7%	8%	9%		
Floorplan	Auto	12%	13%	14%	15%	16%		
Floorplan	Non-Auto	11%	12%	13%	14%	15%		
Premium Finance	Property and casualty	5%	6%	7%	8%	9%		
Small Business	SBA loans	5%	5%	5%	5%	5%	6%	6%
Student Loan	Private	8%	9%	10%	11%	12%	13%	14%
Leveraged Loans	Static	20%	20%	20%	20%	20%	21%	22%
Commercial Mortgages	Legacy, Conduit	15%	15%	15%	15%	15%	16%	17%

*For auto, credit card, equipment, floorplan, and premium finance ABS, the weighted average life must be five years or less. For other new-issue eligible collateral, haircuts will increase by one percentage point for each additional year (or portion thereof) of average life beyond five years. For legacy CMBS with average lives beyond five years, base dollar haircuts will increase by one percentage point of part for each additional year (or portion thereof) of average life beyond five years. No securitization may have an average life beyond ten years.



Source: federalreserve.gov as of 4/9/20. See the Federal Reserve website for more complete and detailed information.

TALF IMPLEMENTATION

NEPC, LLC

MANAGER EVALUATION CRITERIA

Given the short timeline for the TALF investment opportunity, NEPC research used the following guidelines to evaluate implementation products.

	Due Diligence Criteria
Firm	<ul style="list-style-type: none"> • Did the firm participate in TALF 2009? • Are securitized ABS one of the firm's core competencies? • Does the firm have the necessary resources and infrastructure to move quickly? • Are there existing capabilities within other strategies or business lines?
Target Size	<ul style="list-style-type: none"> • Is the target fund size appropriate for manager capabilities and opportunity set? • Are there concerns with being able to fully allocate?
Team	<ul style="list-style-type: none"> • Is there a dedicated team or shared resources? • Is the team right sized and supported by overall platform? • Same team as TALF 2009? • Are there any key person provisions? • Is the team sufficiently incentivized to outperform?
Expertise/Origination	<ul style="list-style-type: none"> • Has the firm/team demonstrated success and deep expertise within the strategy? • Does the firm/team exhibit any expertise in securitized assets including underwriting and structuring? • Are there existing origination and sourcing networks that will assist in allocation? • Does the manager have deep coverage across multiple sectors?
Management Fees/Economics	<ul style="list-style-type: none"> • How do the management fee and incentive fee compare to the peer universe? • Is there a preferred return? • Does the management fee sufficiently support team functions? • Does the incentive fee sufficiently motivate the team to outperform?

WAYS TO IMPLEMENT TALF IN A PORTFOLIO

- **NEPC suggests two options to access TALF:**
 - Funds that are offering a dedicated TALF opportunity
 - Funds which will invest in TALF as a part of its multi-strategy mandate
 - Based on the approach, return expectations for the products will vary
- **NEPC has spoken to a number of firms that are launching dedicated TALF funds and several firms that will take a multi-sector approach where TALF is a part of a broader strategy.**
- **Based on the individual portfolio fit, either of these options can serve a role in fixed income allocation.**
- **For clients that have smaller allocations or a return seeking mandate, adding to a multi-sector product should reduce opportunity costs.**

DISCLAIMERS

- **Past performance is no guarantee of future results.**
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- **Data used to prepare this report was obtained directly from the investment manager(s). While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.**
- **This report may contain confidential or proprietary information and is intended only for the designated recipient(s). If you are not a designated recipient, you may not copy or distribute this document.**
- **NEPC may provide background information on fund structures or the impact of taxes but you should contact your legal counsel or tax professional for specific advice on such matters.**



ALTERNATIVE INVESTMENT DISCLOSURES

It is important that investors understand the following characteristics of non-traditional investment strategies including hedge funds and private equity:

1. Performance can be volatile and investors could lose all or a substantial portion of their investment
2. Leverage and other speculative practices may increase the risk of loss
3. Past performance may be revised due to the revaluation of investments
4. These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms
5. A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value
6. These funds are not subject to the same regulatory requirements as registered investment vehicles
7. Managers may not be required to provide periodic pricing or valuation information to investors
8. These funds may have complex tax structures and delays in distributing important tax information
9. These funds often charge high fees
10. Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategy

EVOLVING CREDIT OPPORTUNITIES



LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

May 12, 2020



BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | PORTLAND | SAN FRANCISCO

CREDIT BETA GROUP THOUGHTS AND ACTIONS

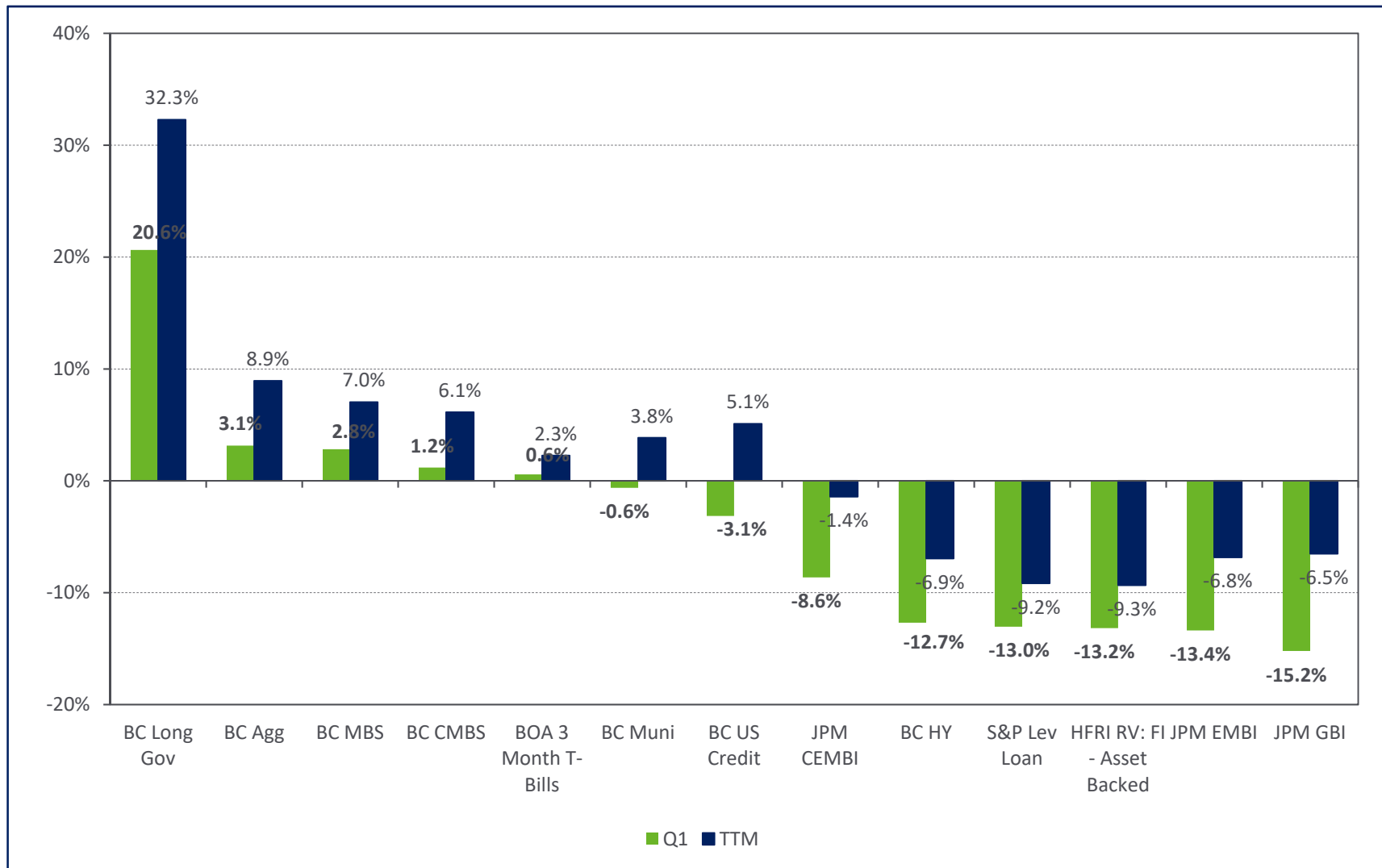
Credit Beta Group Thoughts

- In Q1 2020, the fixed income markets experienced significant spread widening across all segments. March experienced the steepest liquidity crisis with rapid deleveraging and forced-selling that resulted in drastic markdowns.
- The swift accommodative programs launched by the Fed provided much needed liquidity relief, leading to a quick rebound in risk assets
- Despite the relief provided by government action, longer-term concerns emerge from declining corporate profitability. Risk from downgrades, sector weakness, distressed credit, and expectations of defaults pose significant concerns.

Credit Beta Group Actions

- Review all credit investments from risk-adjusted return lens; especially when reaching for yield.
- Carefully source and maintain one quarter of cash needs. Avoid selling credit allocation at distressed prices and wide bid/ask spreads
- A variety of levers exist to capitalize on credit dislocations, but it is important to review new investments in light of existing portfolio allocations and liquidity constraints.

FIXED INCOME INDEX RETURNS THROUGH MARCH 31, 2020



Source: eVestment
Data as of: 3/31/2020



EVOLVING CREDIT OPPORTUNITIES - SUMMARY GUIDE

Investment Opportunity	Implementation	Return Expectation
Stressed Corporate Credit	Liquid multi-sector credit (daily or monthly liquidity) Credit hedge funds (1-3 year lock)	High single/low double-digits
TALF	Private drawdown (3-4 years lock) <i>(Dedicated TALF fund or part of a multi-sector allocation)</i>	High single-digits
Structured Credit (CLO, RMBS, CMBS, ABS)	Structured credit hedge funds (1-3 year lock) Dedicated CLO strategies (4-5 year lock)	Low/mid double-digits
Distressed Corporate Credit (Control & Non-Control)	Credit hedge funds (1-3 year lock) Private drawdown (5-10 years lock) <i>(partial liquidity maybe available intermittently)</i>	Higher double-digits

DETAILING OPPORTUNITIES IN CREDIT MARKET

	Immediate (1 month)	Medium-Term (within 6 months)	Longer-Term (beyond 6-8 months)
Investment Opportunity	<ul style="list-style-type: none"> TALF Corporate dislocation; fallen angels and spread capture Discounted entry points (funds and issuers) 	<ul style="list-style-type: none"> Corporate dislocation; fallen angels and spread capture cont'd. Stressed CLO equity and mezzanine Distressed corporates and non-agency RMBS Stressed/distressed debt/DIP 	<ul style="list-style-type: none"> Distressed for Control / Non-Control DIP NPL/RPL Liquidations Rescue /exit financing CLO equity recovery cont'd.
Market Opportunity	<ul style="list-style-type: none"> Top of the capital structure Forced liquidations, margin calls, redemptions, fire sales Dislocated high-quality, investment- grade corporate credit Liquidity provider to AAA securitized assets; investment-grade ABS securities 	<ul style="list-style-type: none"> Primary and secondary corporate debt Distressed "price" trading (non-control) Loan market stress, CLO equity impairments and OC test triggers Non-agency RMBS – delayed mortgage payments, foreclosures, restructured HY stress and defaults – sector driven dislocations Leveraged private debt funds/ BDCs 	<ul style="list-style-type: none"> Structured credit: CLO, RMBS, CMBS, ABS Distressed debt: Control and Non-Control Corporate bankruptcies and restructurings, Debtor-in-Possession HY stress and defaults – sector driven dislocations Non-performing and re-performing loans/mortgages
Implementation	<ul style="list-style-type: none"> Liquid multi-sector credit: daily or monthly liquidity Dedicated TALF funds: 3-4 years lock or as part of multi-sector structured credit fund (+5 year lock) 	<ul style="list-style-type: none"> Liquid multi-sector credit: daily or monthly Credit hedge funds: 1-3 year lock Structured credit funds: 1-3 year lock Dedicated CLO products: 4-5 years lock Private debt funds: 5-10 years lock 	<ul style="list-style-type: none"> Credit hedge funds: 1-3 year lock Structured credit funds: 1-3 year lock Dedicated CLO products: 4-5 years lock Private debt funds 5-10 year lock
Tentative Return Expectations	<p>Dislocated corporates: 5-10% TALF opportunity: 7-12% CLO equity recovery: 10-15% Distressed debt: 15-20%</p>		



Note: Not all opportunities are suitable for all clients

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