



**Board of Administration Agenda**

**REGULAR MEETING**

**TUESDAY, MAY 26, 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 26, 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# 930 5437 9661

**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<br>Elizabeth Lee<br>Sandra Lee<br>Nilza R. Serrano<br>Sung Won Sohn |
| Manager-Secretary:   | Neil M. Guglielmo  |
| Executive Assistant: | Ani Ghokassian   |
| Legal Counsel:       | City Attorney’s Office<br>Public Pensions General<br>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](http://ethics.lacity.org/lobbying). For assistance, please contact the Ethics Commission at (213) 978-1960 or [ethics.commission@lacity.org](mailto:ethics.commission@lacity.org).

**Request for services**

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.

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](mailto: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 - PRESS \*9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD*
- II. [APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF MAY 12, 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. [MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR APRIL 2020](#)
- VI. COMMITTEE REPORT(S)
  - A. INVESTMENT COMMITTEE VERBAL REPORT ON THE REGULAR MEETING OF MAY 12, 2020
- VII. BOARD/DEPARTMENT ADMINISTRATION
  - A. [PROPOSED BUDGET, PERSONNEL, AND ANNUAL RESOLUTIONS FOR FISCAL YEAR 2020-21 AND POSSIBLE BOARD ACTION](#)
  - B. [EMERGENCY PURCHASES AND EXPENDITURES REPORT FOR COVID - 19 AND POSSIBLE BOARD ACTION](#)
- VIII. INVESTMENTS
  - A. CHIEF INVESTMENT OFFICER VERBAL REPORT
  - B. [INVESTMENT MANAGER CONTRACT WITH DIMENSIONAL FUND ADVISORS LP REGARDING THE MANAGEMENT OF A U.S. TREASURY INFLATION PROTECTED SECURITIES \(TIPS\) PORTFOLIO AND POSSIBLE BOARD ACTION](#)
  - C. [PRIVATE CREDIT MANDATE UPDATE AND POSSIBLE BOARD ACTION](#)
  - D. [PRIVATE EQUITY PORTFOLIO PERFORMANCE REVIEW FOR THE PERIOD ENDING DECEMBER 31, 2019](#)
  - E. [NOTIFICATION OF COMMITMENT OF UP TO \\$40 MILLION IN MBK PARTNERS FUND V, L.P.](#)

- F. [NOTIFICATION OF COMMITMENT OF UP TO \\$30 MILLION IN VISTA FOUNDATION FUND IV, L.P.](#)
- G. [NOTIFICATION OF COMMITMENT OF UP TO €17.5 MILLION \(APPROXIMATELY \\$19.0 MILLION\) IN HG GENESIS 9 A L.P.](#)
- H. [NOTIFICATION OF COMMITMENT OF UP TO \\$20 MILLION IN HG SATURN 2 A L.P.](#)
- I. [NOTIFICATION OF COMMITMENT OF UP TO \\$10 MILLION IN GENERAL CATALYST GROUP X - EARLY VENTURE, L.P.](#)
- J. [NOTIFICATION OF COMMITMENT OF UP TO \\$11.7 MILLION IN GENERAL CATALYST GROUP X - ENDURANCE, L.P.](#)
- K. [NOTIFICATION OF COMMITMENT OF UP TO \\$16.7 MILLION IN GENERAL CATALYST GROUP X - GROWTH VENTURE, L.P.](#)
- L. [NOTIFICATION OF PURCHASE OF PARTNERSHIP INTEREST OF UP TO \\$50 MILLION IN SLC MANAGEMENT TALF PARTNERS FUND 2, LP](#)
- M. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO WATERTON RESIDENTIAL PROPERTY VENTURE XIV, L.P. AND POSSIBLE BOARD ACTION**

IX. OTHER BUSINESS

- X. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, June 9, 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

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.

**Agenda of: May 26, 2020**

**Item No: II**

May 12, 2020

10:01 a.m.

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PRESENT via Zoom Meeting:	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
	Legal Counselor:	Anya Freedman
PRESENT at LACERS offices:	Executive Assistant:	Ani Ghoukassian

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*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 APRIL 28, 2020 AND POSSIBLE BOARD ACTION – Commissioner Elizabeth Lee moved approval of the minutes for the Regular Meeting of April 28, 2020, seconded by Commissioner Chao and was adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Sohn, Vice President Wilkinson, and President Ruiz -7; Nays, None.

III

BOARD PRESIDENT VERBAL REPORT – President Ruiz thanked the Commissioners and staff for their support during these challenging times.

## IV

### GENERAL MANAGER VERBAL REPORT

- A. REPORT ON DEPARTMENT OPERATIONS – Neil M. Guglielmo, General Manager, advised the Board of the following items:
- LACERS COVID response: Wellness Champions Reaching Out, Remote Call Center, Vendor Pricing Reduction Request
  - E-Signatures
  - SPAM emails targeting LACERS Members
  - Mayor’s Proposed Budget and City Council budget process
  - Commission on Revenue Generation Report (May 8) to City Council
  - Los Angeles World Airports Separation Incentive Program (SIP)
  - Medicare Requirement video
  - Governmental Side-A Directors and Officers Policy Renewal in Process
  - LinkedIn Training
- B. UPCOMING AGENDA ITEMS – Neil M. Guglielmo, General Manager, advised the Board on the following upcoming agenda items:
- May 26, 2020 – FY 20/21 Budget – Final budget submission by staff for Board consideration
  - Health Renewals – Information due from the health insurance carriers on May 1<sup>st</sup>. The Benefits Administration Committee will hear preliminary information in late May or early June.

*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 no response and no public comment cards received.

## V

### RECEIVE AND FILE ITEMS

- A. BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER – This report was received by the Board and filed.
- B. MARKETING CESSATION REPORT NOTIFICATION TO THE BOARD – This report was received by the Board and filed.

## VI

### BOARD/DEPARTMENT ADMINISTRATION

- A. NOTIFICATION OF CERTIFIED RESULTS OF THE BOARD OF ADMINISTRATION ELECTION FOR THE FIVE-YEAR TERM ENDING JUNE 30, 2025 AND OFFICIAL FINDINGS AND RECOMMENDATION OF CHALLENGE AND POSSIBLE BOARD ACTION – Vice President Wilkinson recused himself from discussion or action for this item. Neil M. Guglielmo, General Manager, Ani Ghoukassian, Commission Executive Assistant II, Amy Milo with the Office of the City Clerk presented this item to the Board. After discussion, Commissioner Chao moved approval, seconded by Commissioner Serrano and was adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Sohn, and President Ruiz -6; Nays, None. The Notification of Certified Results of the Board of Administration Election for the Five-Year Term Ending June 30, 2020 was received by the Board and filed.

## VII

### INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value, \$17.142 billion as of May 11, 2020. Mr. June discussed the following items:
- Two managers on watch are being extended for additional year: Neuberger Berman and LM Capital
  - NEPC will be presenting on the evolving credit opportunities and the TALF investment program
  - Upcoming Agenda Items: Manager Contract, Real Estate fund, Private Equity Performance Review, Private Credit Update, and Private Equity Notifications
- B. POLICY DISCUSSION REGARDING TOTAL COMPOSITION OF WORKFORCE FORM AND POSSIBLE BOARD ACTION – Neil M. Guglielmo, General Manager, Bryan Fujita, Chief Operating Officer, and Jeremiah Paras, Investment Officer I, presented this item to the Board. After a 1 hour, 4 minute discussion, the Board decided to table this item for further discussion at a future Board Meeting.
- C. PRESENTATION BY NEPC, LLC REGARDING EVOLVING CREDIT OPPORTUNITIES AND TERM ASSET-BACK SECURITIES LOAN FACILITY (TALF) – Carolyn Smith, Partner and Oliver Fadly, Research Consultant with NEPC presented and discussed this item with the Board for 45 minutes.

President Ruiz recessed the Regular Meeting at 1:03 p.m. to convene in Closed Session.

- 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 ACTION**

President Ruiz reconvened the Regular Meeting at 1:23 p.m. and announced that the Board unanimously approved the Disability Retirement Application of Lisa Johnson.

IX

OTHER BUSINESS- Vice President Wilkinson asked that staff schedule his Swearing-in ceremony during a future Board Meeting date.

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 – There being no further business before the Board, President Ruiz adjourned the Meeting at 1:25 p.m.

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Cynthia M. Ruiz  
President

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Neil M. Guglielmo  
Manager-Secretary

Agenda of: MAY 26, 2020

Item No: V-A

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

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

**BOARD MEMBER:**

President Cynthia M. Ruiz  
Vice President Michael R. Wilkinson

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

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



**REPORT TO BOARD OF ADMINISTRATION**  
From: Neil M. Guglielmo, General Manager

**MEETING: MAY 26, 2020**  
**ITEM: VII – A**

*Neil M. Guglielmo*

**SUBJECT: PROPOSED BUDGET, PERSONNEL, AND ANNUAL RESOLUTIONS FOR FISCAL YEAR 2020-21 AND POSSIBLE BOARD ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board:

- 1) Adopt the Proposed Budget, Personnel, and Annual Resolutions for Fiscal Year 2020-21 (FY21);
- 2) Delegate authority to the General Manager to transfer between budget appropriations accounts in alignment with City thresholds, not to exceed the intra-departmental transfer amount of \$55,992 for Fiscal Year 2019-20, or as updated by the City Administrative Officer, in compliance with Charter Section 343(b) and Administrative Code Section 5.36;
- 3) Approve the creation of a new department account in the City’s PaySR system for Salaries As-Needed, and authorize the General Manager to process the necessary documents to implement the Board’s intent; and,
- 4) Authorize the General Manager to make technical corrections to the budget including the update of the Final City Contribution based on the Adopted City covered payroll.

**Executive Summary**

The LACERS Proposed Administrative Budget of \$29.95 million is a \$1.99 million or 7.1% increase over Fiscal Year 2019-20 (FY20), which is a \$1.24 million, or 4.0%, decrease from the FY21 Preliminary Budget presented to the Board in March. Since the Preliminary Budget was presented in March, various belt-tightening measures were employed and programs have been reprioritized for the FY21 business plan as influenced by the current pandemic and ensuring LACERS ongoing ability to provide service to our Members. This report discusses the changes in funding and the revised slate of programs for FY21.

There is no change to the Investment Management Fees and Expenses, and a reduction of \$10.5 million in the City Contribution. The City Contribution reflects the lower City covered payroll amount reported in the Mayor’s Proposed Budget. The final City Contribution will be determined in July after the City’s covered payroll is adopted.

	FY20	FY21 MARCH	\$ change	% change	FY21 MAY	\$ change	% change
Administrative Expense	\$27,962,634	\$31,190,324	\$3,227,690	11.5%	\$29,948,248	\$1,985,614	7.1%
Investment Management Fees & Expenses	\$87,121,829	\$91,557,275	\$4,435,446	5.1%	\$91,557,275	\$4,435,446	5.1%
City Contribution	\$676,667,085	\$656,361,654	(\$20,305,431)	-3.0%	\$645,900,502	(\$30,766,583)	-4.5%

The attached Performance Budget Report provides further discussion of the overall Administrative Expense Budget, the City Contribution, and the Investment Management Fees and Expenses Budget.

## Discussion

Clearly much has changed since the preparation of the Preliminary Budget presented to the Board on March 24, 2020, just days after receiving the City's "Safer at Home Order," and the beginning of the realization of the massive changes to the workplace beginning to unfold. Since that time LACERS has transformed its operations from completely on premise to virtual wherein the vast majority of staff are now able to work successfully from home. Despite the many challenges in making this transition to a remote workforce, LACERS has continued to successfully ensure continuity of benefits for Members, but in order to sustain business continuity and even improve on current service delivery, substantial investments in equipment and technology must be maintained and augmented to support workforce needs for the long term. While the remote work technologies deployed are new to LACERS and necessary to function safely in this environment, they also present significant efficiency opportunities as LACERS moves toward more electronic information processing and communications. As such the Proposed Budget not only maintains LACERS' investments in remote technology to date, but also begins to align it to initiatives that will further improve the Member experience beyond the current pandemic.

Three major initiatives will be the focus for FY21: (1) Member Experience Initiative, (2) Mobile Workforce Initiative; and (3) Headquarters Move Initiative. The attached Performance Budget Report discusses the Member Experience Initiative and the Mobile Workforce Initiative. A separate report on the Headquarters Move Initiative will be presented at the Board meeting in June. Technology is key to all three of these initiatives which not only will improve LACERS' posture in confronting the current pandemic (and future business continuity threats) but will continue LACERS' progress in modernizing operations and making more services readily available to Members.

In light of evolving circumstances, LACERS Proposed Administrative Expense Budget is substantially changed from the Preliminary Budget, having undergone significant reductions, while making additional obligatory adjustments and adding the investments made in confronting the pandemic crisis. Below reflects the changes from the FY20 Adopted Budget to the FY21 March Preliminary Budget to the FY21 May Proposed Budget, which is a 7.1% increase over the FY20 Adopted Budget and 4.0% decrease from the FY21 Preliminary Budget.

	FY21 March Preliminary Budget	FY21 May Proposed Budget	Change from March to May	FY20 Adopted Budget	% change from FY20 to FY21 March Budget	% change from FY20 to FY21 May Budget
Personnel Services	\$ 23,908,905	\$ 23,038,561	\$ (870,344)	\$ 20,707,196	15.5%	11.3%
Professional Services	3,230,564	2,883,032	(347,532)	2,717,721	18.9%	6.1%
Information Technology	1,365,135	1,776,107	410,972	1,799,884	-24.2%	-1.3%
Training & Related Travel	440,460	174,535	(265,925)	350,117	25.8%	-50.1%
Office Expenses	2,245,260	2,076,013	(169,247)	2,387,716	-6.0%	-13.1%
<b>Total Admin. Budget</b>	<b>\$ 31,190,324</b>	<b>\$ 29,948,248</b>	<b>\$ (1,242,076)</b>	<b>\$ 27,962,634</b>	<b>11.5%</b>	<b>7.1%</b>

Highlights of changes from the March Preliminary Budget to the Proposed Budget for adoption include:

Personnel Services – net decrease of \$870,344

- Full-time salaries, decreased by \$474,465  
This includes an obligatory increase to salaries and benefits for staff who transition to the newly created Benefit Analyst and Senior Benefit Analyst classifications, effective July 1, 2020. The increase is offset by: 1) an increase in the salary savings percentage from 7% to 9%; 2) unfunding three vacant positions; 3) budgeting remaining vacant positions at 75%; and, 4) reducing funded substitute authority positions from eight to four.
- Part-time salaries are reduced by \$151,524.
- A net reduction of \$229,855 in paid overtime for Retirement Services Division staff, Health Benefits Administration and Communication staff, and Administration Division staff. These divisions have the largest overtime budgets. The reduction impacts Member-facing units such as the unit addressing the backlog of service purchases. Compensated time off will be used to the extent possible.

Professional Services – net decrease of \$347,532

- Reduction to the Actuarial budget by \$140,900 for ad-hoc projects and to reflect a fee reduction provided by Segal.
- Reduction to the Audit budget by \$135,000 including a reduction to the External Auditor budget reflective of recent competitive fee proposals; and correction to duplicate budget line items in the Investment Management Expense budget and 115 Trust budget.
- Defer \$66,720 in various non-essential contractual services such as the emergency table top exercise, symposium speakers, and graphic design services.
- Reduction to the service/fees from Northern Trust and Keenan by \$15,000 and \$62,000 respectively.

Information Technology – net increase of \$410,972

- Increase in various expenses related to the Mobile Workforce Initiative to expand our ability to work remotely. This includes infrastructure security enhancements, laptops, and corresponding software.

Training and Related Travel – net decrease of \$265,925

- Elimination of all off-site training, conferences and related travel, except education needed to maintain professional designations.

Office Expenses – net decrease of \$169,247

- Increased funding for mobile phones for all employees and corresponding data service.
- Reduction of printing and postage budget to only producing basic communication pieces.
- Reduction of the budget for promotional materials.

The following budgetary items of interest remain funded:

- \$55,000 for ESG Consultant
- \$100,000 for Cybersecurity Insurance
- \$30,000 for Board Education and Travel

While the FY21 Proposed Budget reflects a great deal of change, it is likely that there may be further change and unexpected developments to come. The pandemic environment has complicated the FY21 business plan for the coming year with a number of possible scenarios that could further impact LACERS.

In March, LACERS was approached by the Department of Airports (“LAWA”) to assist in facilitating the retirement of approximately 600 LAWA retirement-eligible employees as soon as possible. LACERS commits to processing 50 LAWA retirements per month. LACERS determined a maximum capacity to retire a total of 100 Members per month from all departments. This meets our pre-pandemic levels which have averaged 1,045 annually over the last two years. To keep this pace, the processing of retirements is done using estimated calculations, and full audit of the retirement calculation will be done at a future time when demands slow. This solution accounts for a socially-distanced office environment and a work-from-home environment reliant on employees’ personal home computing environment and equipment.

The Mayor has declared a state of fiscal emergency as part of the 2020-21 Proposed Budget and it is unknown at this time how City retirements may be impacted, although it is anticipated that an increase in retirements could be realized. In 2009, during the last major economic crisis, the Mayor and City Council tasked LACERS with retiring 2,400 employees in seven months, during a time when the average annual retirement was 500. Any spike in retirements will exceed LACERS current capacity and resources as proposed in this budget.

As LACERS is deferring and reducing salaries and expenses to lessen the administrative cost of the department during uncertain times, this same uncertainty could require further changes as the situation unfolds, thus LACERS will report back to the Board on additional budgetary needs as they occur throughout the coming year. This approach mirrors that of the City Administrative Officer and Chief Legislative Analyst which recognizes with so many unknowns, the 2020-21 City Budget will be a “year-round” budget.

### **Strategic Plan Impact Statement**

This budget includes funding for FY21 initiatives to meet LACERS seven strategic goals.

Prepared By: Dale Wong-Nguyen, Chief Benefits Analyst, Administration Division and the Budget Team: Andy Chiu, Edeliza Fang, Mikyong Jang, Tammy Jenkins, Chhintana Kurimoto, Lin Lin, Ricky Mulawin, Vivian Nguyen, Jo Ann Peralta, Elizabeth Torres. In collaboration, and with special thanks to Department senior managers for the thought and leadership that went into this budget.

NG/TB/DWN

Attachments:           1. LACERS Performance Budget Report for Fiscal Year 2020-21  
                                  2. Proposed Budget, Personnel, and Annual Resolutions

# LACERS PERFORMANCE BUDGET FY 2020-21



**Proposed Budget  
May 26, 2020**



# LACERS PERFORMANCE BUDGET FY 2020-21

## 01

### **Introduction & Budget Overview**

#### **Introduction & Budget Overview**

This section provides an introduction to the current budget environment and three major areas of LACERS' budget and the Board's role in the Administrative Expense Budget, City Contribution, and Investment Management Fees and Expenses.

## 03

### **Administrative Expense Budget**

#### **Administrative Expense Budget**

The Administrative Expense Budget is the operating budget of the department. It includes costs for LACERS' personnel, professional services, information technology infrastructure and projects, office expenses, and Board & staff training/travel.

## 09

### **City Contribution**

#### **City Contribution**

The City's Contribution to LACERS is the employer's cost of funding the retirement and other post-employment benefits. LACERS is the administrator of these benefits promised by the City to its employees who are LACERS Members.

The City Contribution includes the cost of the LACERS' defined benefit, LACERS' health and welfare programs, the Limited Term Retirement Plan for Elected Officials, the Excess benefit for individuals exceeding Internal Revenue Code benefit limits, and the optional Family Death Benefit Program.

## 11

### **Investment Management Fees and Expenses**

#### **Investment Management Fees & Expenses**

Investment management fees are largely asset-based fees. The Investment Management Fee and Expense schedule reflects the application of fees established through contracts, against an assumed future market performance.

In addition, expenses essential to the management of the portfolio such as research services and consulting from our general fund consultant, real estate consultant, and alternative investment consultant, are included in this schedule.

## INTRODUCTION

The impact of the Global Pandemic to the City and LACERS began in March 2020. The LACERS Trust Fund assets were at a high of \$19.1 billion prior to the outbreak in the United States and plummeted to \$15.1 billion, before returning to its current level of around \$17 billion. Operationally LACERS' staff complied with the Mayor's Safer-At-Home orders, except to perform mission essential functions that could only be completed on-site. Within a month, full-time employees were able to remotely access their office computer files and applications with their personal home computers and internet connections.

LACERS experienced no delays in paying benefits to Members and beneficiaries in March and April, and will continue to deliver timely benefits. While in-person services are not yet available, Members are being served over the phone and e-mail. Retirements are being processed by mail. In late March, the Department of Airports ("LAWA") approached LACERS for assistance with a separation incentive package for about 600 of their staff eligible for normal retirement. Under the current work environment and staff resources, LACERS has established a maximum capacity of 100 total service retirements per month. The workload mirrors the level of pre-pandemic times; however, we do not yet know whether other City workers may further increase demand for retirement services beyond these levels.

The Proposed Administrative Expense Budget employs various belt-tightening measures to minimize the growth of the budget to \$1.99 million or 7.1%. The budget funds current programs underway including the core programs of Benefit Administration, Investment Administration, and General Administration and Support. Two major initiatives were contemplated prior to the pandemic, but made more necessary because of it. This includes the expansion of the Member Experience Initiative to serve the Members through expanded outreach avenues including webinars, remote counseling, and electronic forms processing. As well as the Mobile Workforce Initiative, which provides laptops, mobile phones, and the supporting infrastructure for a fully equipped workforce to work from home or any location. This Initiative not only builds LACERS' resiliency to respond to the current pandemic but also in the event of an earthquake or other disaster. Additionally, a combination of in-office and remote work improves staff productivity and morale.

The Pandemic will have no impact on the City Contribution Budget for 2020-21 as the contribution rate was adopted in November 2019, and will be applied against the final adopted City covered payroll. There is a slight reduction in the contribution rates, and anticipated reduction in the City covered payroll. Coupled with a true-up credit, the City Contribution is (\$30,766,583), or -4.5% less than Fiscal Year 2019-20.

The Investment Management Fees & Expenses Budget is based on a projection of the market value for Fiscal Year 2020-21. The market value is difficult to predict in the current environment, but the budget is estimated at \$91.6 million, a \$4.4 million, or 5.1% increase. The majority of Investment Management Fees are asset based and will follow the direction of the market.

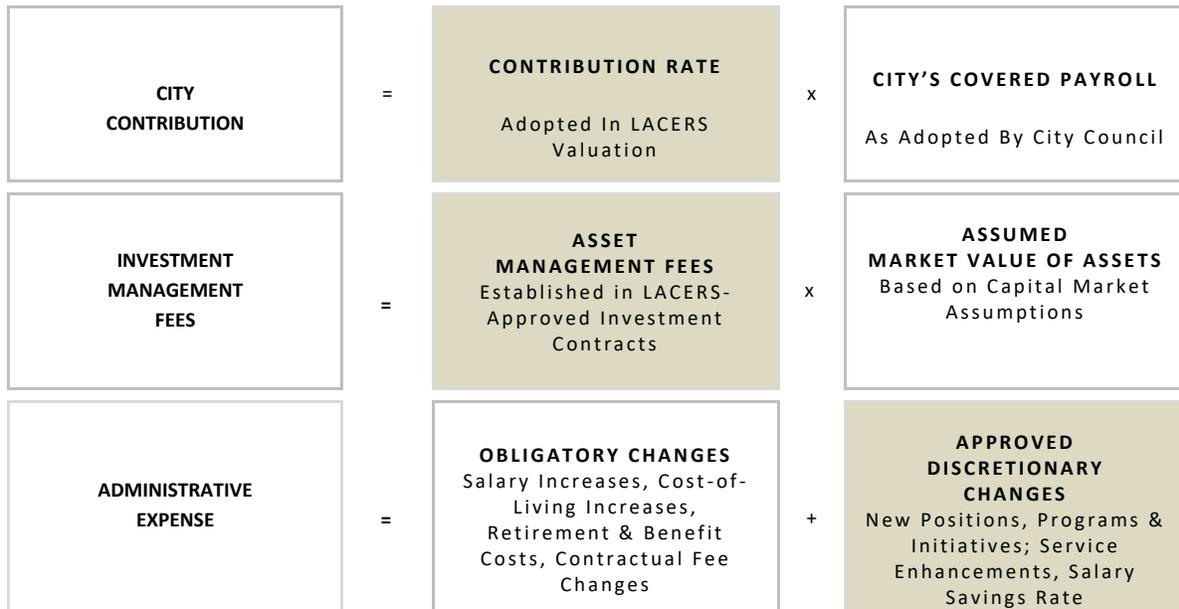
	FY20	FY21	\$ change	% change
Administrative Expense	\$27,962,634	\$29,948,248	\$1,985,614	7.1%
Investment Management Fees & Expenses	\$87,121,829	\$91,557,275	\$4,435,446	5.1%
City Contribution	\$676,667,085	\$645,900,502	(\$30,766,583)	-4.5%

## BUDGET OVERVIEW

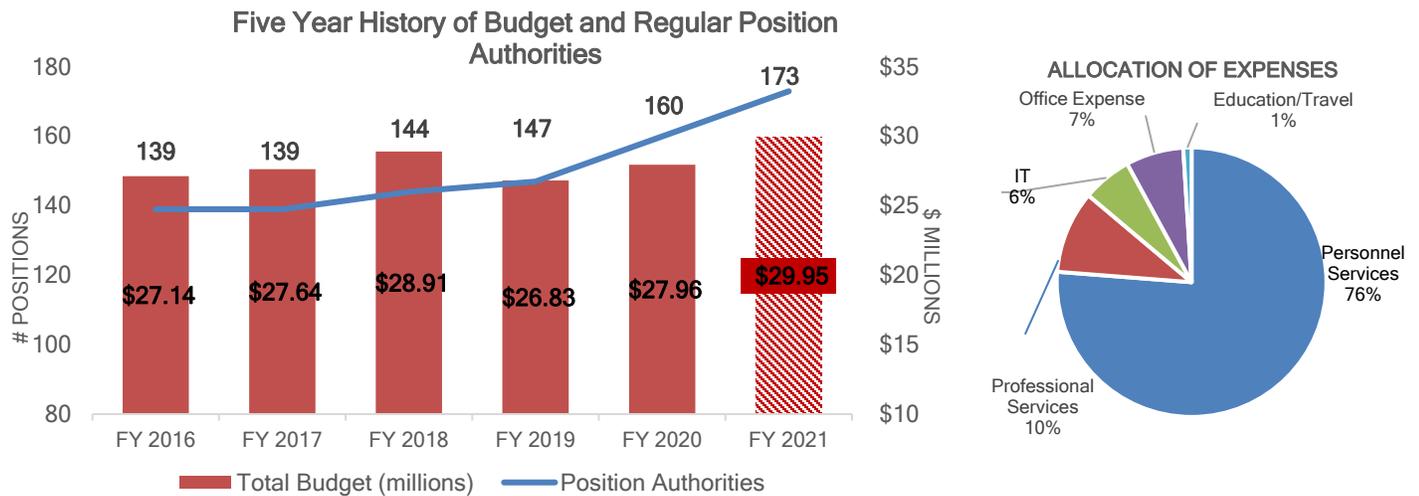
The LACERS Board approves an annual budget which estimates the cost of maintaining the Retirement System. LACERS' budget is transmitted to the Mayor for inclusion in the City's proposed budget which is due to City Council by April 20, and finalized in June for the fiscal year beginning July 1<sup>st</sup>. The Board's approval of the Administrative and Investment Expense budget establishes the General Manager's expenditure authority for the fiscal year.

LACERS' budget is comprised of the Administrative Expense Budget, the Investment Management Fees and Expenses Budget, and the City's contribution to the LACERS Retirement Trust Fund and 115 Trust Fund. Key decisions made by the Board throughout the year will determine certain aspects of the budget. This includes the adoption of the actuarial valuation in November which sets the annual contribution rate (a percentage of City payroll) that the City will provide to LACERS to fund the retirement benefits for City employees. The Board approves investment contracts throughout the year which set fee rates used to establish the Investment Management Fee Budget. In March and May of each year, the Board considers programs and annual business plan initiatives to fund for the coming fiscal years reflected in the Administrative Expense Budget.

An overview of the components of the LACERS' budget, with the Board's discretionary decisions is reflected as follows:



## ADMINISTRATIVE EXPENSE BUDGET



In the past five years, LACERS' Administrative Expense Budget has fluctuated between \$27.1 million and \$28.9 million, with year-to-year changes ranging from decreases of -7.2% to increases of 4.6% depending on the initiation/completion of major projects.

The Proposed 2020-21 Administrative Expense Budget seeks \$29.95 million in funding to maintain core services at \$28.96 million, and \$.98 million to fund new initiatives. The Proposed Budget is a \$1.99 million, or 7.1%, increase over the current year budget. Obligatory cost increases total \$5.75 million, inclusive of full funding of positions partially funded in Fiscal Year 2019-20, salary rate increases, and step and cost-of-living increases for all filled positions and regular authorities; the costs have been tempered by deleting \$1.50 million in one-time costs for Fiscal Year 2019-20; adopting a 9% salary savings equating to \$1.52 million; deferring \$1.14 million in expenses; and permanent elimination of \$447,000 for expenses no longer necessary.

The Proposed Budget includes three new and 10 regularized positions, and four substitute authorities. The three regular positions are added to the General Administration and Support Program plus one position for management of the new Headquarters. One Investment Officer I position is added to the Investments Program. The remaining regular positions are added to the Benefit Administration Program. In addition, the Benefits Analyst series was created to retain benefits knowledge within four key departments: LACERS, LAFPP, WPERP, and City Personnel. The transition of eligible positions will take effect July 1, 2020. Twenty-four existing positions will convert to Benefits Analyst and sixteen additional positions will convert to Senior Benefits Analyst, at a total cost of \$147,000 due to higher salary rates of the classifications.

	FY20 ADOPTED BUDGET	FY21 PROPOSED BUDGET	CHANGES
Personnel Services	\$ 20,707,196	\$ 23,038,561	\$ 2,331,365
Professional Services	2,717,721	2,883,032	165,311
Information Technology	1,799,884	1,776,107	(23,777)
Education/Training/ Travel	350,117	174,535	(175,582)
Office Expense	2,387,716	2,076,013	(311,703)
<b>TOTAL</b>	<b>\$ 27,962,634</b>	<b>\$ 29,948,248</b>	<b>\$ 1,985,614</b>

## Summary of Changes by Program

Category Item	Dollars	Positions	
		Regular	Substitute
<b>2019-20 Adopted Budget</b>	<b>\$ 27,962,634</b>	<b>160</b>	<b>6</b>
<b>Obligatory Changes</b>	<b>5,746,416</b>	-	-
Full funding of Partially Funded Positions	1,395,347	-	-
Step Increases & Cost-of-Living Adjustment	853,799	-	-
Salary Rate Increases, Bonuses, Excess Sick Pay	433,072	-	-
Regularize Filled Sub Authorities	1,405,027	-	-
Part-time Salaries	537,200	-	-
LACERS' Employer Share of Retirement Contributions	527,000	-	-
LACERS' Share of Employee Benefits	180,200	-	-
LACERS' Share of City Attorney and Outside Legal Counsel	193,771	-	-
Office Lease - Annual Increase	221,000	-	-
<b>Deletion of One-Time Funding</b>	<b>(1,496,349)</b>	-	-
Deletion of Funding for Substitute Authorities	(463,853)	-	(6)
Deletion of Funding for One-Time Services, Expenses, & Equipment	(1,032,496)	-	-
<b>Efficiencies to Services</b>	<b>(3,105,387)</b>	-	-
Salary Savings Rate Adjustment [9%]	(1,516,722)	-	-
One-Time Salary Reductions	(879,473)	-	-
Expense Account Reductions	(446,710)	-	-
One-Time Reductions	(262,482)	-	-
<b>Continuation of Services</b>	<b>9,220</b>	-	-
Investment Program Expenses	(6,335)	1	-
Benefits Administration Expenses	(157,843)	7	1
General Administration & Support Expenses	173,398	5	3
<b>New/Enhanced Services</b>	<b>831,714</b>	-	-
Member Experience Initiative	317,340	-	-
Mobile Workforce Initiative	514,374	-	-
<b>Total Changes</b>	<b>\$ 1,985,614</b>	<b>13</b>	<b>(2)</b>
<b>2020-21 Proposed Budget</b>	<b>\$ 29,948,248</b>	<b>173</b>	<b>4</b>

### Anticipated FY2020-21 Supplemental Budget Adjustments

- FY2020-21 Headquarters Move Budget - In Process
- Significant Increase in Retirements

## Summary of Changes in Personnel

DIVISION/SECTION	2019-20 Adopted Budget Regular Authorities	Proposed Changes				2020-21 Proposed Budget Regular Authorities	2020-21 Proposed Substitute Authorities		
		Reallocate	Transfers	Regularize Substitute Authorities	New		Cont.	New	Total
Executive	9	-2/+2	-2			7	1		1
Investments	11				1	12			
Human Resources	5					5			
Internal Audit	3					3			
Retirement Services	43	+1/-1		3	2	48			
Health Benefits Administration & Communications	35	-2/+2	-1	2	1	37	1		1
Administration	30	-3/+3	-5		1	26			
Fiscal Management	13					13		2	2
Systems	11	-1/+1				11			
Administrative Operations	0	-1/+1	+8		3	11			
<b>TOTAL</b>	<b>160</b>	<b>-10/+10</b>	<b>0</b>	<b>5</b>	<b>8</b>	<b>173</b>	<b>2</b>	<b>2</b>	<b>4</b>

## Detail of Administrative Expense

	City Account Number	FY2019-20 Adopted Budget	FY 2019-20 Estimated Expenditures	FY2020-21 Proposed Budget	Budget \$ Change	Budget % Change
<b>Personnel Services</b>						
601	Salaries	101	\$14,110,952	\$15,276,462	\$ 15,338,149	\$ 1,227,197 8.7%
601	Salaries - As Needed	107	-	-	537,200	537,200 100.0%
602	Overtime	109	473,744	360,794	333,512	(140,232) -29.6%
605	Employee Benefits	601	6,122,500	6,008,797	6,829,700	707,200 11.6%
	Personnel Services Total		<b>\$20,707,196</b>	<b>\$ 21,646,053</b>	<b>\$ 23,038,561</b>	<b>\$ 2,331,365 11.3%</b>
<b>Professional Services</b>						
611	Actuarial Service	304	\$ 425,000	\$ 415,224	\$ 410,600	\$ (14,400) -3.4%
612	Audit Services	304	148,000	99,379	120,000	(28,000) -18.9%
613	Legal Services	304	796,721	774,315	990,492	193,771 24.3%
614	Disability Services	304	220,000	200,772	220,000	- 0.0%
615	Other Consulting	304	226,000	106,689	223,940	(2,060) -0.9%
616	Benefit Payroll Processing Servs.	304	235,000	230,792	230,000	(5,000) -2.1%
617	Retiree Health Adm. Consultant	304	667,000	667,778	688,000	21,000 3.1%
	Professional Services Total		<b>\$ 2,717,721</b>	<b>\$ 2,494,949</b>	<b>\$ 2,883,032</b>	<b>\$ 165,311 6.1%</b>
<b>Information Technology</b>						
622	Pension Adm. System Vendor	304	\$ 424,455	\$ 337,844	\$ 428,298	\$ 3,843 0.9%
623	Computer Hardware	730	282,625	230,852	530,116	247,491 87.6%
624	Computer Software	601	190,095	127,573	284,636	94,541 49.7%
625	Computer Maint. & Support	601	271,709	280,644	452,057	180,348 66.4%
626	Other Computer Consulting	304	631,000	527,816	81,000	(550,000) -87.2%
	Information Technology Total		<b>\$ 1,799,884</b>	<b>\$ 1,504,729</b>	<b>\$ 1,776,107</b>	<b>\$ (23,777) -1.3%</b>
<b>Training &amp; Related Travel</b>						
604	Employee Development	601	\$ 104,272	\$ 103,398	\$ 68,220	\$ (36,052) -34.6%
634	Conferences & Travel	213	245,845	170,590	106,315	(139,530) -56.8%
	Training & Related Travel Total		<b>\$ 350,117</b>	<b>\$ 273,988</b>	<b>\$ 174,535</b>	<b>\$ (175,582) -50.1%</b>
<b>Office Expenses</b>						
631	Printing and Binding	212	\$ 149,000	\$ 145,002	\$ 114,000	\$ (35,000) -23.5%
632	Postage	601	167,928	185,769	172,300	4,372 2.6%
633	Telephone and Utilities	601	19,270	10,890	45,767	26,497 137.5%
635	Office Lease	304	1,368,286	980,037	1,234,000	(134,286) -9.8%
636	Office Equipment Services	304	54,000	42,538	46,000	(8,000) -14.8%
651	Petty Cash	601	10,000	10,194	12,000	2,000 20.0%
652	Board Member Election Expense	601	30,000	30,000	-	(30,000) -100.0%
653	Furniture and Other Equipment	730	196,600	223,029	17,000	(179,600) -91.4%
655	Other Office Expense	601	107,535	121,576	159,256	51,721 48.1%
656	Membership Dues & Subscriptions	601	144,540	119,682	133,690	(10,850) -7.5%
658	Promotional Supplies	601	557	9,277	2,000	1,443 259.1%
659	Insurance Expense	304	140,000	135,000	140,000	- 0.0%
	Office Expenses Total		<b>\$ 2,387,716</b>	<b>\$ 2,012,994</b>	<b>\$ 2,076,013</b>	<b>\$ (311,703) -13.1%</b>
	<b>Grand Total</b>		<b>\$27,962,634</b>	<b>\$ 27,932,713</b>	<b>\$ 29,948,248</b>	<b>\$ 1,985,614 7.1%</b>

## MEMBER EXPERIENCE INITIATIVE

### FY 2020-21 BUDGET REQUEST

	Expense	Positions
<b>Total Request</b>	<b>\$365,400</b>	<b>0</b>
Webinar & Enhanced Content	51,500	
Website Redesign-Phase II	151,000	
Digital Retirement Processing	162,900	

### IMPACT

INCREASED MEMBER COMMUNICATION CHANNELS AND WEB-BASED SERVICE OPTIONS

#### TO ADVANCE THE CUSTOMER SERVICE AND BENEFIT DELIVERY GOALS:

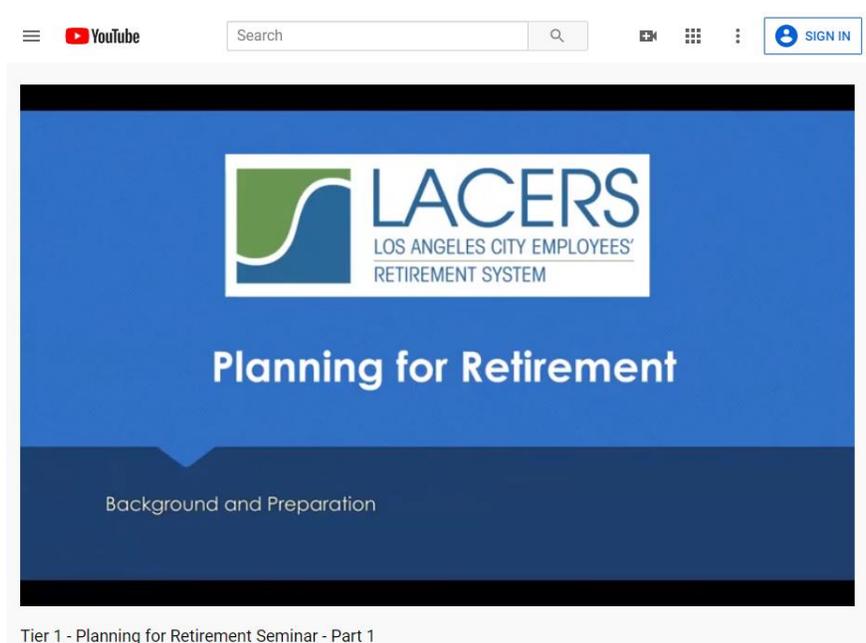
*Providing outstanding customer service & delivery of accurate and timely Member benefits.*

**INITIATIVE OBJECTIVES:** To provide Members with a better user experience; to make retirement information and planning resources more accessible to Members; to improve on the timeliness of benefit information and delivery.

**DESCRIPTION:** LACERS strives to improve the Member experience by broadening communications through expanded channels. This initiative will develop a comprehensive content management structure to efficiently manage information for newsletters, the website, and other communication avenues such as LACERS' wiki page and open data platforms. Self-service options for Members will be developed to include retirement seminars via webinars, the ability to video conference with retirement counselors, the ability to utilize on-line benefit calculators from their mobile devices, and the option to complete forms and submit documents electronically.

**DELIVERABLES:** This initiative is focused on the following key priorities:

- ❖ Development of an annual guidebook to manage content for communication pieces
- ❖ Provide one-on-one video conferencing with Members
- ❖ Provide three benefit calculators on the LACERS' website that are mobile responsive
- ❖ Produce video assets for the website and other distribution channels
- ❖ Build the capabilities for electronic receipt of Member documents and online self-service



## MOBILE WORKFORCE INITIATIVE

### FY 2020-21 BUDGET REQUEST

	Expense	Positions
<b>Total Request</b>	<b>\$623,729</b>	<b>0</b>
Laptops, mobile phones & related accessories	115,963	
Hardware	316,716	
Software	191,050	

### IMPACT

TOOLS TO ENABLE  
BUSINESS CONTINUITY  
DURING CRISIS SITUATIONS

#### TO ADVANCE ALL SEVEN STRATEGIC PLAN GOALS:

- I. *Outstanding Customer Service*
- II. *Accurate and Timely Delivery of Member Benefits*
- III. *Improve Value and Minimize Costs of Our Health and Wellness Program*
- IV. *Optimize Long-term Risk Adjusted Returns through Superior Investments*
- V. *Uphold Good Governance Practices Which Affirm Transparency, Accountability, and Fiduciary Duty*
- VI. *Increase Organizational Effectiveness, Efficiency, and Resiliency*
- VII. *Recruit, Retain, Mentor, Empower, and Promote a High Performing Workforce*

**INITIATIVE OBJECTIVES:** To create a workforce with the ability to work remotely. This ensures that LACERS' core function of providing benefits to our retirees and beneficiaries continues without interruption despite a pandemic or other disruptive event.

**DESCRIPTION:** The recent State and local orders to stay-at-home propelled the implementation of remote work solutions on an expedited timeline. Originally planned concurrent to our move to the new headquarters building, access to necessary enterprise applications and mobile phones have been deployed to staff who perform mission essential functions. Funding for this initiative will provide the resources to assign each staff with a laptop and docking station in lieu of a desktop computer, and mobile phones in lieu of desk phones. The budget includes funds for software to facilitate remote work such as Office 365 and tools such as Zoom.com for virtual meetings, as well as software and hardware to enhance IT security.

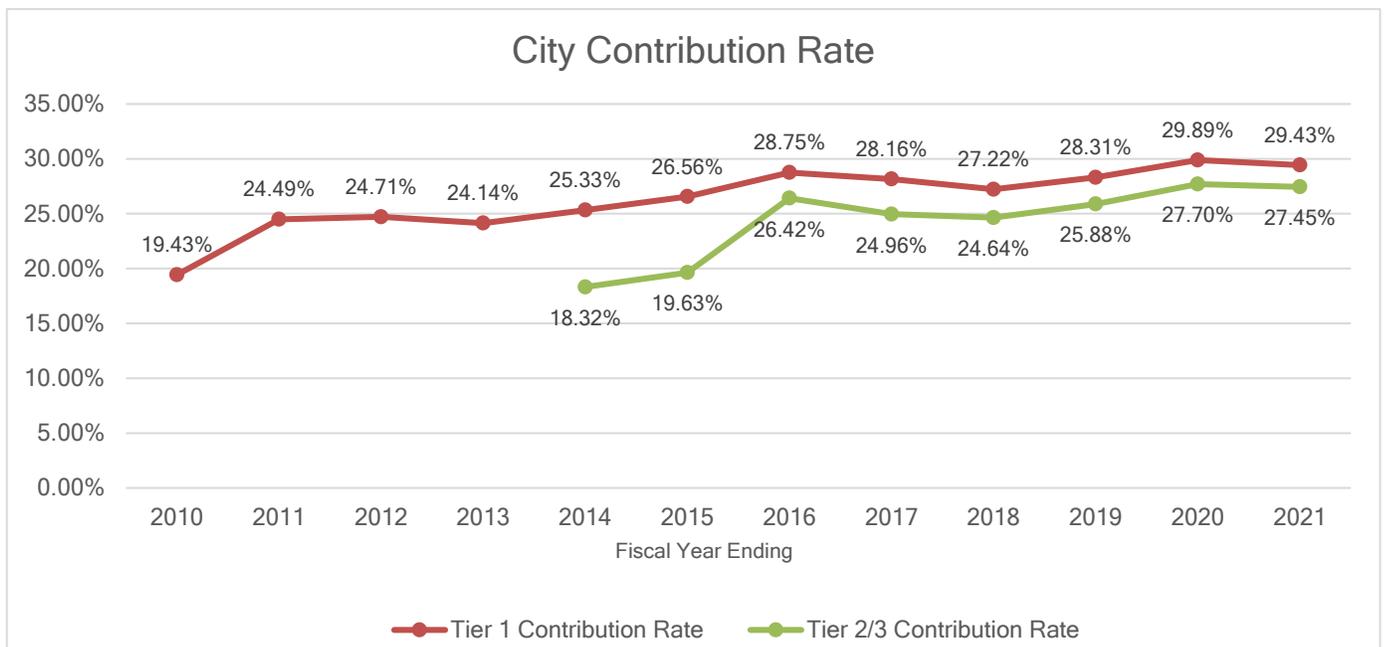
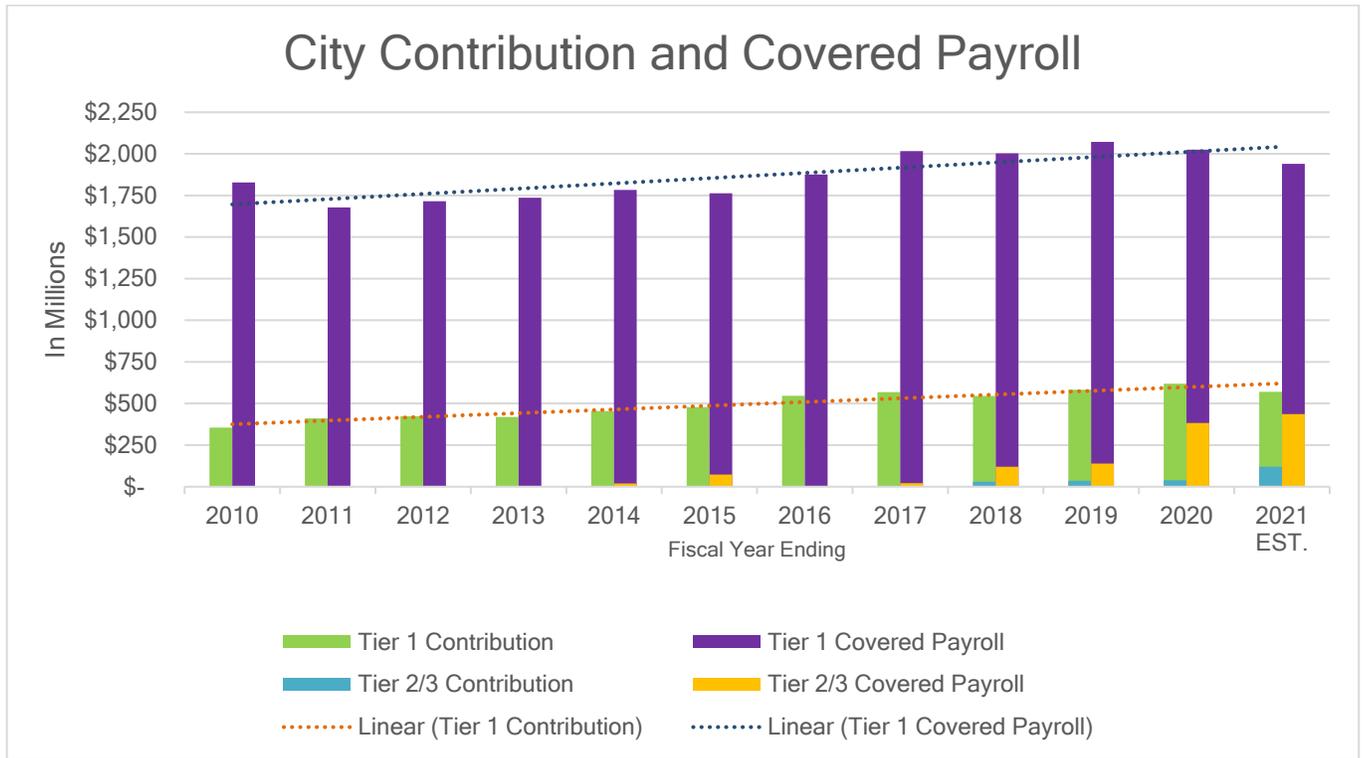
**DELIVERABLES:** This initiative is focused on the following key priorities:

- ❖ To provide Member services over the phone, by email, and through our website, without physical meetings with the Member
- ❖ To deliver timely and accurate benefits despite a disruptive event
- ❖ To continue to enroll Members in health plans, promote wellness, and track usage despite a disruptive event
- ❖ To have full capability to manage the Investment program remotely
- ❖ To exercise good Governance and oversight of the system through virtual Board meetings
- ❖ To fully implement mobile workforce solutions, resetting the office norm to a resilient organization that is as efficient and effective on-site as off-site
- ❖ To provide a supportive environment to enable a high performing workforce



# CITY CONTRIBUTION

The City Contribution is a percentage of the City's covered payroll. Over a ten-year period, both factors in calculating the contribution amount: (1) City payroll and (2) contribution rate have been on an upward trend. This corresponds to an increasing City contribution amount.



## CITY CONTRIBUTION (continued)

The City contributes funding for four plans administered by LACERS: Retirement and Health Benefits, the Excess Benefit Plan, the Family Death Benefit Plan, and the Limited Term Retirement Plan.

Retirement and Health Benefits	\$	690,638,145
True-up Adjustment		(46,116,643)
Subtotal	\$	<u>644,521,502</u>
Family Death Benefit Plan		98,000
Excess Benefit Plan		1,260,000
Limited Term Retirement Plan		21,000
TOTAL	\$	<u><u>645,900,502</u></u>

City contribution rates toward retirement and health benefits for LACERS Members are set by the Board upon adoption of the annual actuarial valuations. Stated in the form of a percentage of covered payroll, the amount of the City's contribution is determined on the final covered payroll adopted in the City's budget. The City Contribution reflected above is based on the Mayor's proposed budget, and will change when the final covered payroll is known. As of now, the estimate is based on the Mayor's FY21 proposed covered payroll of \$1.94 billion for Tier 1 Members and rate of 29.43%; and a covered payroll of \$436 million and rate of 27.45% for Tier 3 Members. A credit adjustment of \$46,116,643 is applied toward the FY21 contribution to LACERS. This credit amount represents a true-up of the Fiscal Year 2019-20 contribution – the difference between the contributions paid on July 15, 2019 based on the budgeted covered payroll amount and the actual payroll toward the end of the Fiscal Year. The City is also required by statute to make employer contributions for the Family Death Benefit Plan, the Excess Benefit Plan, and the Limited Term Retirement Plan.

### FAMILY DEATH BENEFIT PLAN

Approximately 2,700 Active Members opt into the Family Death Benefit Plan which provides an additional benefit to qualifying surviving minor children, or widow/widower over age 60 if the Member dies while an active City employee. The City's contribution to the Family Death Benefit is equivalent to a match of the Member's contribution which is currently \$2.40 per month effective July 1, 2020. This monthly amount is established pursuant to a biennial study of the full actuarial costs of the benefit as required by the Los Angeles Administrative Code.

### EXCESS BENEFIT PLAN

The Excess Benefit Plan was established separate from the LACERS Trust Fund, to pay retirement benefit amounts in excess of the benefit limits established by the Internal Revenue Code (IRC), currently \$230,000<sup>1</sup> for 2020. In 2020, there are 49 LACERS Members who receive their monthly LACERS' retirement benefit up to the limit allowable by the IRC, and the remainder of their benefit is paid separately by the City. The City's cost of this program is the projected amount of the benefits that will be paid from the City's account for FY21, plus reasonable administrative expenses.

### LIMITED TERM RETIREMENT PLAN (LTRP)

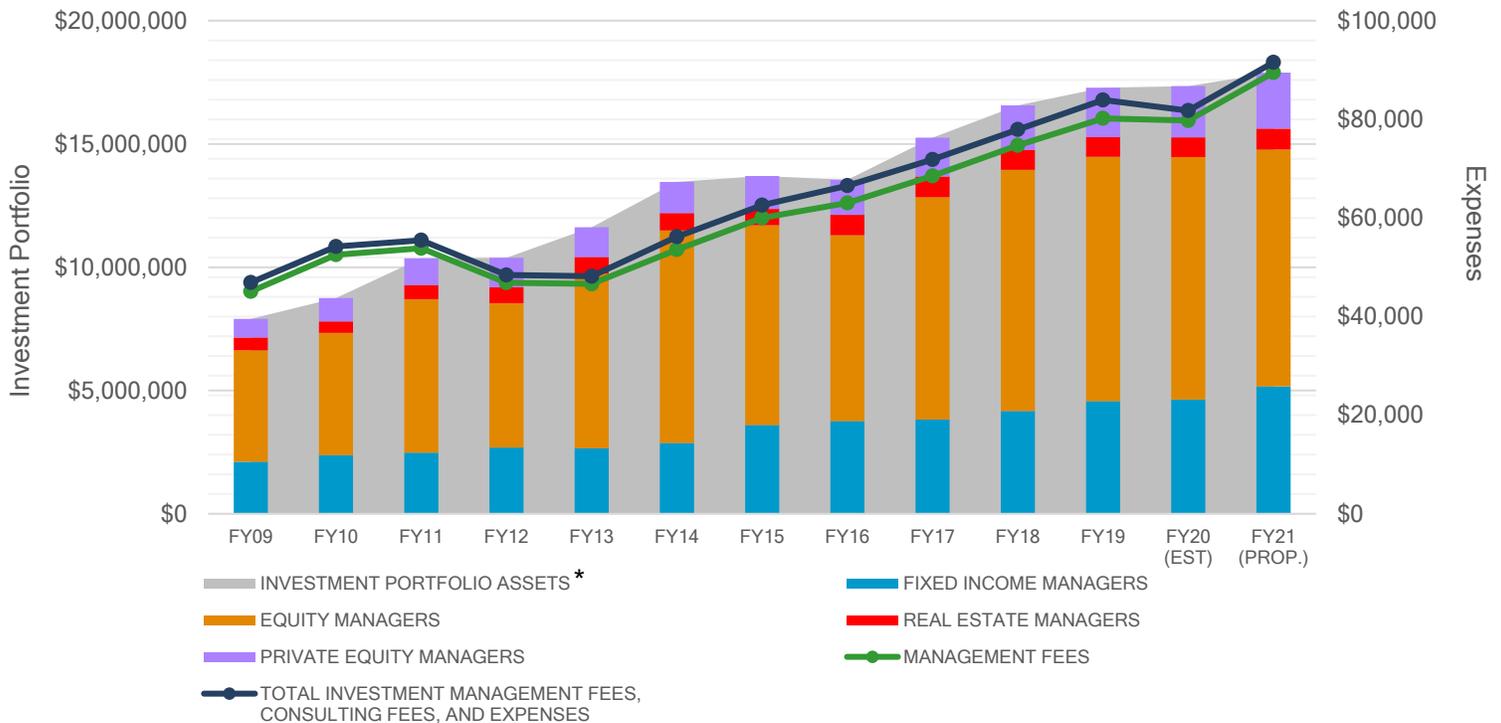
The LTRP provides elected officials, who serve four-year terms, the option of participating in a defined contribution plan until they have completed the five years of City service needed to vest in the defined benefit plan. The City provides a contribution to LTRP Members at the same rate as the employer contribution to the LACERS defined benefit plan. There is currently one LTRP Member in the plan.

<sup>1</sup>This represents the unadjusted Excess Benefit limit. The individual limit must be adjusted based on the age of the Member at retirement, years of City service, service purchases, and calculated on a single-life annuity basis.

## INVESTMENT MANAGEMENT FEES AND EXPENSES

In the past ten-year period, overall fees have increased along with the increase in portfolio value.

INVESTMENT PORTFOLIO ASSETS AND EXPENSES  
(Dollars in Thousands)



\* due to the market volatility beginning February 2020, the total fund portfolio value has ranged between \$15.1 B and \$19.1 B

The Investment management fees are largely asset-based fees established in the respective contracts with investment managers hired by LACERS. Investment consulting fees are flat fees paid to our General Fund consultant, our Private Equity consultant, and our Real Estate consultant. Other expenses include research and services which support administration of the investment program.

Investment Management Fees	\$	89,482,865
Investment Consulting Fees		1,833,000
Other Investment Expense		241,410
<b>TOTAL</b>	<b>\$</b>	<b>91,557,275</b>

The 2020-21 Investment Management Fees & Expenses Budget increased by \$4.44 million or 5.1%. This includes:

- \$2.17 million from new commitments to Private Equity and Real Estate Funds.
- \$4.56 million from new active strategies pursuant to the implementation of the asset allocation policy adopted on April 10, 2018.
- (\$2.45) million in net market value changes primarily due to the recent drop in equities due to world events.
- \$0.16 million increase in other Investment Consulting Fees and Expenses. The change is mainly attributed to adding ESG Consultant and Tax Accounting Services and removing CEM Benchmarking from the budget.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM**

**PROPOSED BUDGET  
AND  
PERSONNEL RESOLUTIONS**

**Fiscal Year 2020 - 21**

**Presented May 26, 2020**

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**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM**

**COMBINED STATEMENT OF RECEIPTS AND EXPENDITURES<sup>3</sup>**

<b>Actual 2018-19</b>	<b>Adopted Budget 2019-20<sup>1</sup></b>	<b>Estimated 2019-20</b>		<b>Budget Appropriation 2020-21<sup>2</sup></b>
<b>RECEIPTS</b>				
\$ 587,889,902	\$ 676,667,085	\$ 676,667,085	City Contributions (see Schedule 1).....	\$ 645,900,502
240,258,510	258,361,000	257,000,000	Member Contributions.....	278,000,000
98,886	104,000	102,000	Family Death Benefit Plan Member Contributions.....	98,000
6,090,036	--	10,360,000	Self-Funded Dental Insurance Premium.....	10,700,000
468,153	--	816,000	Member Insurance Premium Reserve.....	840,000
416,415,425	415,158,054	410,000,000	Earnings on Investments.....	422,300,000
315,119,217	--	440,000,000	Gain on Sale of Investments.....	--
<u>\$ 1,566,340,129</u>	<u>\$ 1,350,290,139</u>	<u>\$ 1,794,945,085</u>	Total Receipts.....	<u>\$ 1,357,838,502</u>
<b>EXPENDITURES</b>				
908,034,349	\$ 964,600,000	\$ 981,715,000	Retirement Allowances.....	\$ 1,040,920,000
1,119,276	1,156,000	1,104,000	Family Death Benefit Plan Allowance.....	1,156,000
122,766,321	134,136,000	133,015,000	Retired Medical & Dental Subsidy.....	142,991,000
13,344,880	14,100,000	14,700,000	Retired Medicare Part B Reimbursements.....	16,170,000
4,018,393	--	8,282,000	Self-Funded Dental Insurance Claims.....	8,861,000
10,629,675	11,427,000	11,170,000	Refund of Member Contributions.....	12,287,000
1,053,844	1,360,000	2,000,000	Refund of Deceased Retired Accum. Contributions.....	2,200,000
24,325,015	27,962,634	27,932,714	Administrative Expense.....	29,948,248
364,721	--	760,000	Self-Funded Insurance Administrative Fee.....	783,000
82,970,385	87,121,829	81,774,925	Investment Management Fees and Expenses.....	91,557,275
<u>\$ 1,168,626,859</u>	<u>\$ 1,241,863,463</u>	<u>\$ 1,262,453,639</u>	Total Expenditures.....	<u>\$ 1,346,873,523</u>
<u>397,713,270</u>	<u>108,426,676</u>	<u>532,491,446</u>	Increase in Fund Balance.....	<u>10,964,979</u>
<u>\$ 1,566,340,129</u>	<u>\$ 1,350,290,139</u>	<u>\$ 1,794,945,085</u>	Total Expenditures and Increase in Fund Balance.....	<u>\$ 1,357,838,502</u>

1. The City Contributions amount for the FY 2019-20 Adopted Budget was based on the City's final covered payroll of \$2,408,053,664 and included the application of a net credit adjustment for FY 2018-19 of \$36,017,160 deducted from FY 2019-20 contribution payment. The credit adjustment represents a true-up of the FY 2018-19 City contribution.

2. The preliminary City Contributions amount for FY 2020-21 is based on the Mayor's Proposed Budget City covered payroll of \$2,376,028,809 and includes a credit adjustment of \$46,116,643 for the true-up of FY 2019-20 contributions which will be deducted from the FY 2020-21 contribution payment. The preliminary City Contribution budget amount will be finalized upon the receipt of adopted City covered payroll information from the City for FY 2020-21.

3. The above Statement contains LACERS combined Receipts and Expenditures including the 115 Trust.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM**

**115 TRUST FUND STATEMENT OF RECEIPTS AND EXPENDITURES**

<b>Actual 2018-19</b>	<b>Adopted Budget 2019-20</b>	<b>Estimated 2019-20</b>		<b>Budget Appropriation 2020-21</b>
<b>RECEIPTS</b>				
\$ --	\$ --	\$ 114,346,195	City Contributions (see Schedule 1).....	\$ 100,230,779
6,090,036	--	10,360,000	Self-Funded Dental Insurance Premium.....	10,700,000
468,153	--	816,000	Member Insurance Premium Reserve.....	840,000
21,261	--	1,529,000	Earnings on Investments.....	944,000
0	--	--	Gain on Sale of Investments.....	--
<u>\$ 6,579,450</u>	<u>\$ --</u>	<u>\$ 127,051,195</u>	Total Receipts.....	<u>\$ 112,714,779</u>
<b>EXPENDITURES</b>				
\$ 4,018,393	\$ --	\$ 8,282,000	Self-Funded Dental Insurance Claims.....	\$ 8,861,000
364,721	--	760,000	Self-Funded Insurance Administrative Fee.....	783,000
			Administrative Expense	
5,618	--	10,000	Contracts.....	70,000
1,215	--	30,000	Share of Dept. Administrative Expense.....	60,000
566	--	65,000	Investment Management Expense.....	183,000
<u>\$ 4,390,513</u>	<u>\$ --</u>	<u>\$ 9,147,000</u>	Total Expenditures.....	<u>\$ 9,957,000</u>
<u>2,188,937</u>	<u>--</u>	<u>117,904,195</u>	Increase in Fund Balance.....	<u>102,757,779</u>
<u>\$ 6,579,450</u>	<u>\$ --</u>	<u>\$ 127,051,195</u>	Total Expenditures and Increase in Fund Balance.....	<u>\$ 112,714,779</u>

Note: All 115 Trust Receipts and Expenditures above are included in the LACERS COMBINED STATEMENT OF RECEIPTS AND EXPENDITURES on page 2.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM**

**SCHEDULE 1 -- CITY CONTRIBUTIONS**

**ACTUARIAL REQUIREMENTS**

To fund the liabilities of the System for future service as required in Article XI Section 1158 and 1160 of the City Charter in accordance with the actuarial valuation of those liabilities as of June 30, 2019 as follows:

	Health (115 Trust)	Retirement	Total
Tier 1 29.43% of \$1,940,314,943 total actuarial salary of Tier 1 members for fiscal year 2020-21	\$ 84,403,701	\$ 486,630,986	\$ 571,034,687
Tier 3 27.45% of \$435,713,866 total actuarial salary of Tier 3 members for fiscal year 2020-21	22,874,979	96,728,479	119,603,458
Subtotal	<u>\$ 107,278,680</u>	<u>\$ 583,359,465</u>	<u>\$ 690,638,145</u>
Family Death Benefit Plan (FDBP) To match the estimated total amount contributed by Family Death Benefit Plan members in accordance with the provisions of Section 4.1090 of the Administrative Code.		98,000	98,000
Excess Benefit Plan Fund (EBP) To fund retirement benefits in excess of the limits set by Internal Revenue Code Section 415 (b) in accordance with the provisions of Section 4.1800 of the Administrative Code.		1,260,000	1,260,000
Limited Term Retirement Plan Fund (LTRP) To fund the Defined Contribution Plan for elected City officials in accordance with the provisions of Section 4.1850 of the Administrative Code.		<u>21,000</u>	<u>21,000</u>
<b>Total City Contributions</b>	<b>\$ 107,278,680</b>	<b>\$ 584,738,465</b>	<b>\$ 692,017,145</b>
True-up Adjustment: Credit of difference in City contributions for fiscal year 2019-20 based on estimated covered payroll on July 15, 2019 and actual covered payroll up to February 29, 2020.	<u>(7,047,901)</u>	<u>(39,068,742)</u>	<u>(46,116,643)</u>
<b>Total City Contributions After True Up</b>	<b><u>\$ 100,230,779</u></b>	<b><u>\$ 545,669,723</u></b>	<b><u>\$ 645,900,502</u></b>

**City Contributions by Funding Source:**

	Total Covered Payroll	Contributions						Total
		Tier 1 (29.43%)	Tier 3 (27.45%)	Shared Cost for FDBP/EBP/LTP	Tier 1 True-Up	Tier 3 True-Up	FY20 True-Up Adjustments	
General Fund (TRAN)	\$ 1,978,778,366	\$ 468,822,065	\$ 102,789,621	\$ 1,148,444	\$ (51,182,978)	\$ 11,072,246	\$ (40,110,732)	\$ 532,649,398
Airports	278,955,000	72,031,809	12,681,892	161,900	(7,036,700)	1,709,673	(5,327,027)	79,548,574
Harbor	89,970,035	23,158,287	2,951,738	52,217	(1,457,612)	753,500	(704,112)	25,458,130
LACERS	15,623,624	3,701,192	811,992	9,067	(255,108)	221,366	(33,742)	4,488,509
LAFPP	<u>12,701,784</u>	<u>3,321,334</u>	<u>368,215</u>	<u>7,372</u>	<u>117,982</u>	<u>(59,012)</u>	<u>58,970</u>	<u>3,755,891</u>
Total	<u>\$ 2,376,028,809</u>	<u>\$ 571,034,687</u>	<u>\$ 119,603,458</u>	<u>\$ 1,379,000</u>	<u>\$ (59,814,416)</u>	<u>\$ 13,697,773</u>	<u>\$ (46,116,643)</u>	<u>\$ 645,900,502</u>

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM**

**SCHEDULE 2 -- ADMINISTRATIVE EXPENSE**

Expenditures 2018-19	Adopted Budget 2019-20	Estimated Expenditures 2019-20		Budget Appropriation 2020-21
			<b>SALARIES</b>	
\$ 12,852,195	\$ 14,110,952	\$ 15,276,462	General.....	\$ 15,338,149
--	--	--	As Needed.....	537,200
286,210	473,744	360,794	Overtime.....	333,512
<u>\$ 13,138,405</u>	<u>\$ 14,584,696</u>	<u>\$ 15,637,256</u>	Total Salaries.....	<u>\$ 16,208,861</u>
			<b>EXPENSE</b>	
\$ 122,460	\$ 149,000	\$ 145,002	Printing and Binding.....	\$ 114,000
96,997	245,845	170,590	Travel.....	106,315
5,348,503	6,122,500	6,008,797	Employee Benefits.....	6,829,700
4,704,050	5,335,462	4,518,184	Contracts.....	4,812,330
730,649	1,045,906	999,003	Office and Administrative.....	1,329,926
<u>\$ 11,002,659</u>	<u>\$ 12,898,713</u>	<u>\$ 11,841,577</u>	Total Expense.....	<u>\$ 13,192,271</u>
			<b>EQUIPMENT</b>	
\$ 183,951	\$ 479,225	\$ 453,881	Furniture, Office and Technical Equipment.....	\$ 547,116
<u>\$ 183,951</u>	<u>\$ 479,225</u>	<u>\$ 453,881</u>	Total Equipment.....	<u>\$ 547,116</u>
<u>\$ 24,325,015</u>	<u>\$ 27,962,634</u>	<u>\$ 27,932,714</u>	Total Administrative Expense <sup>1</sup> .....	<u>\$ 29,948,248</u>

1. Total Administrative Expense of \$29,948,248 includes \$130,000 for expenses of the 115 Trust (refer to schedule on page 3).

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM  
INVESTMENT MANAGEMENT FEES AND EXPENSES: FY 2020-21**

	<b>ADOPTED BUDGET FY 2019-20</b>	<b>ESTIMATED EXPENSE FY 2019-20</b>	<b>PROPOSED BUDGET FY 2021-21</b>
1 Baird Advisors	\$ 623,052	\$ 371,285	\$ 418,558
2 LM Capital	505,746	382,405	389,317
3 Loomis Sayles	788,293	1,018,323	1,055,324
4 Neuberger Berman	893,704	1,085,400	1,115,561
5 State Street (Fixed Income Index)	-	387,491	-
6 AEGON USA	948,746	1,474,697	1,489,660
7 Bain Capital (formerly Sankaty)	856,589	862,751	943,729
8 Prudential	1,463,036	1,627,787	-
9 AJO LP (formerly Aronson & Partners)	451,778	15,789	-
10 EAM Investors	805,437	845,295	539,707
11 Panagora Asset Management	759,387	102,324	-
12 Principal Global	739,831	725,252	780,421
13 Rhumblin (S&P 500)	166,208	175,026	153,858
14 Rhumblin (Russell 1000 Growth)	9,400	-	-
15 Rhumblin (Russell 2000)	2,735	15,146	13,304
16 Rhumblin (Russell 2000 Growth)	1,439	8,201	-
17 Rhumblin (Russell 2000 Value)	1,081	8,829	-
18 AQR Capital Management	2,459,766	2,060,174	1,797,899
19 Axiom International	2,576,791	2,737,447	2,873,273
20 Barrow, Hanley, Mewhinney & Strauss	2,780,879	2,344,164	2,350,478
21 Dimensional Fund Advisor (Emerging Mkt)	1,752,460	2,074,726	1,902,529
22 Lazard Asset Management	2,881,909	3,058,409	3,057,679
23 MFS Institutional Advisors	2,315,846	2,600,815	2,642,075
24 Oberweis Asset Management	2,422,505	1,732,940	2,028,922
25 Quantitative Management Assoc. (QMA)	1,488,646	1,565,547	1,570,726
26 State Street Global (Non-US Index)	406,767	395,885	342,871
27 Centersquare (REITS)	858,910	802,993	986,762
28 CoreCommodity	1,280,797	1,091,560	1,230,177
29 Dimensional Fund Advisor (TIPS)	311,705	383,933	421,521
30 New Emerging Mkt Debt	720,000	-	2,130,000
31 New High Yield Bank Loans	550,000	233,100	954,778
32 New High Yield Bank Loans Blended	-	-	2,130,000
33 New Private Debt	1,291,500	37,500	228,350
34 New Active Small Cap - Copeland	682,500	-	411,250
35 New Active Small Cap Growth - Granahan	289,800	-	308,000
36 New Active Small Cap Value - Bernzott	-	-	413,000
37 New Active Small Cap Value - SBH	269,675	-	238,000
38 New Emerging Mkt Small Cap	956,250	-	1,280,000
39 New Core	-	-	1,222,000
40 Real Estate Managers	12,019,774	11,597,150	12,699,882
41 Private Equity Managers	37,873,298	37,926,479	39,363,254
<b>Subtotal - Investment Management Fee</b>	<b>\$ 85,206,239</b>	<b>\$ 79,748,822</b>	<b>\$ 89,482,865</b>
42 ESG Consulting	\$ -	\$ -	\$ 55,000
43 General Fund Consulting	450,000	450,000	465,000
44 Private Equity Consulting	737,500	736,694	750,000
45 Real Estate Consulting	215,000	215,000	215,000
46 Real Estate & Private Equity Legal Consulting	325,000	325,000	325,000
47 Northern Trust	23,000	23,000	23,000
<b>Subtotal - Investment Consulting Fee</b>	<b>\$ 1,750,500</b>	<b>\$ 1,749,694</b>	<b>\$ 1,833,000</b>
48 Bloomberg Financial Services	\$ 25,680	\$ 27,000	\$ 27,000
49 CEM Benchmarking	35,000	35,000	-
50 Tax Accounting Services	-	110,000	110,000
51 Institutional Shareholder Services	71,910	71,910	71,910
52 Pitchbook Subscription	22,500	22,500	22,500
53 Pacific Center for Asset Management	10,000	10,000	10,000
<b>Subtotal - Other Investment Expense</b>	<b>\$ 165,090</b>	<b>\$ 276,410</b>	<b>\$ 241,410</b>
<b>Total Investment Management Fees and Expenses</b>	<b>\$ 87,121,829</b>	<b>\$ 81,774,925</b>	<b>\$ 91,557,275</b>

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

PROPOSED PERSONNEL RESOLUTION  
FISCAL YEAR 2020-21

WHEREAS, the Board of Administration of the Los Angeles City Employees' Retirement System has the responsibility and authority to establish the number and types of positions to be utilized by the Los Angeles City Employees' Retirement System;

NOW, THEREFORE, BE IT RESOLVED, that:

1. Effective July 1, 2020, the positions listed in the attached schedule of Positions and Salaries are hereby authorized within the Los Angeles City Employees' Retirement System. The class code numbers, classifications and salaries as set forth herein are hereby determined to be appropriate in accordance with existing City laws and ordinances, and applicable Memoranda of Understanding, as appropriate. Further, the employment of the designated number of persons in each code and classification as set forth herein is hereby authorized.
2. Memoranda of Understanding approved by the City Council shall be considered to be incorporated into this Resolution where appropriate. Salaries established under approved Memoranda of Understanding shall apply to all classes of employees therein noted. The provisions of each of the Memoranda of Understanding shall take precedence over any conflicting provision contained in this Resolution, but only for those employees in classes to which the Memoranda of Understanding apply.
3. One Assistant General Manager (Class Code 9269), when designated by the General Manager to assume the additional administrative and supervisory duties of Executive Officer, shall be compensated at the fourth premium level rate above the appropriate step rate or premium level rate of the incumbent. Upon approval of the General Manager, one additional Assistant General Manager (Class Code 9269) may receive salary up to the fourth premium level rate above the appropriate step rate of the prescribed salary range. This compensation is pensionable.
4. Upon approval of the General Manager, substitute authority positions may be filled using any class approved and established by the Board of Civil Service Commissioners. This approval shall specify the period during which the position shall be filled.
5. Upon approval of the General Manager, persons may be employed in any class approved and established by the Board of Civil Service Commissioners in-lieu of a vacant position if the in-lieu employment is consistent with City policies and procedures for such employment.
6. The General Manager shall have the authority to correct any clerical or typographical errors in this document.

Tuesday, May 26, 2020

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM  
POSITIONS AND SALARIES: FY 2020-21**

**(a) Regular Positions**

FY20	FY21	Change	MOU	Class Code	Class Title	Salary Range
3	3	0	1	1513	ACCOUNTANT	\$ 59,361 - \$ 86,798
11	12	1	3	1223	ACCOUNTING CLERK	\$ 52,826 - \$ 77,235
1	1	0	20	1119	ACCOUNTING REC SUPVR II	\$ 70,282 - \$ 102,792
10	9	-1	3	1358	ADMINISTRATIVE CLERK	\$ 40,548 - \$ 59,257
2	2	0	36	9414	ASST GM-LACERS	\$ 152,006 - \$ 222,225
0	24	24	0	9108	BENEFITS ANALYST	\$ 78,842 - \$ 115,278
30	31	1	20	1203	BENEFITS SPECIALIST	\$ 59,716 - \$ 87,320
3	3	0	36	9151	CH BENEFITS ANALYST	\$ 132,755 - \$ 194,121
1	0	-1	20	1253	CH CLERK	\$ 71,284 - \$ 104,253
1	1	0	36	9147	CH INVESTMENT OFCR	\$ 193,140 - \$ 282,360
1	1	0	1	9734	COMMISSION EXEC ASST II	\$ 75,690 - \$ 110,643
1	1	0	36	1610	DEPARTMENTAL AUDIT MGR	\$ 132,755 - \$ 194,121
1	1	0	36	1593	DEPT CHIEF ACCT IV	\$ 132,755 - \$ 194,121
1	1	0	37	1117	EXEC ADMIN ASST II	\$ 65,437 - \$ 95,693
1	1	0	37	1117	EXEC ADMIN ASST III	\$ 70,177 - \$ 102,625
1	1	0	20	1555	FISCAL SYSTEMS SPEC I	\$ 94,836 - \$ 138,622
1	0	-1	20	1555	FISCAL SYSTEMS SPEC II	\$ 110,726 - \$ 161,945
1	1	0	0	9150	GM-LACERS	\$ 181,719 - \$ 322,074
1	1	0	36	1409	INFO SYSTEM MGR II	\$ 132,755 - \$ 194,121
1	1	0	1	1625	INTERNAL AUDITOR III	\$ 89,387 - \$ 130,687
1	1	0	1	1625	INTERNAL AUDITOR IV	\$ 110,726 - \$ 161,945
2	3	1	0	9146	INVESTMENT OFFICER I	\$ 102,959 - \$ 150,544
4	4	0	0	9146	INVESTMENT OFFICER II	\$ 128,307 - \$ 187,565
2	2	0	0	9146	INVESTMENT OFFICER III	\$ 161,298 - \$ 235,797
25	6	-19	1	9184	MANAGEMENT ANALYST	\$ 75,690 - \$ 110,643
1	0	-1	1	1539	MANAGEMENT ASSISTANT	\$ 53,870 - \$ 78,780
1	0	-1	20	1170	PAYROLL SUPERVISOR I	\$ 73,142 - \$ 106,926
1	1	0	20	1129	PERS RECORDS SUPV	\$ 63,663 - \$ 93,062
1	1	0	1	1731	PERSONNEL ANALYST	\$ 75,690 - \$ 110,643
1	1	0	20	1525	PR ACCOUNTANT I	\$ 85,858 - \$ 125,551
1	1	0	20	1525	PR ACCOUNTANT II	\$ 90,577 - \$ 132,420
0	1	1	20	1201	PRINCIPAL CLERK	\$ 59,716 - \$ 87,320
2	2	0	8	1431	PROGRAMMER/ANALYST III	\$ 81,786 - \$ 119,558
1	0	-1	8	1431	PROGRAMMER/ANALYST IV	\$ 88,489 - \$ 129,414
0	1	1	8	1431	PROGRAMMER/ANALYST V	\$ 95,317 - \$ 139,394
1	1	0	36	1800	PUB INFO DIRECTOR I	\$ 93,584 - \$ 136,805
0	9	9	0	9109	SENIOR BENEFITS ANALYST I	\$ 96,820 - \$ 141,608
0	7	7	0	9109	SENIOR BENEFITS ANALYST II	\$ 119,872 - \$ 175,266
2	2	0	20	1523	SR ACCOUNTANT I	\$ 68,924 - \$ 100,787
3	3	0	20	1523	SR ACCOUNTANT II	\$ 74,708 - \$ 109,202
18	20	2	3	1368	SR ADMINISTRATIVE CLERK	\$ 50,049 - \$ 73,184
6	2	-4	20	9171	SR MGMT ANALYST I	\$ 93,083 - \$ 136,095
5	1	-4	20	9171	SR MGMT ANALYST II	\$ 115,257 - \$ 168,501
0	1	1	64	9167	SR PERSONNEL ANALYST I	\$ 93,083 - \$ 136,095
1	0	-1	0	9167	SR PERSONNEL ANALYST I	\$ 93,083 - \$ 136,095
0	1	1	64	9167	SR PERSONNEL ANALYST II	\$ 115,257 - \$ 168,501
2	0	-2	0	9167	SR PERSONNEL ANALYST II	\$ 115,236 - \$ 168,459
2	1	-1	20	1597	SR SYSTEMS ANALYST I	\$ 89,491 - \$ 130,854
1	1	0	20	1597	SR SYSTEMS ANALYST II	\$ 110,726 - \$ 161,945
3	3	0	1	1596	SYSTEMS ANALYST	\$ 75,690 - \$ 110,643
0	1	1	21	1455	SYSTEMS PROGRAMMER II	\$ 101,080 - \$ 147,767
1	1	0	21	1455	SYSTEMS PROGRAMMER III	\$ 109,515 - \$ 160,128
<u>160</u>	<u>173</u>	<u>13</u>				

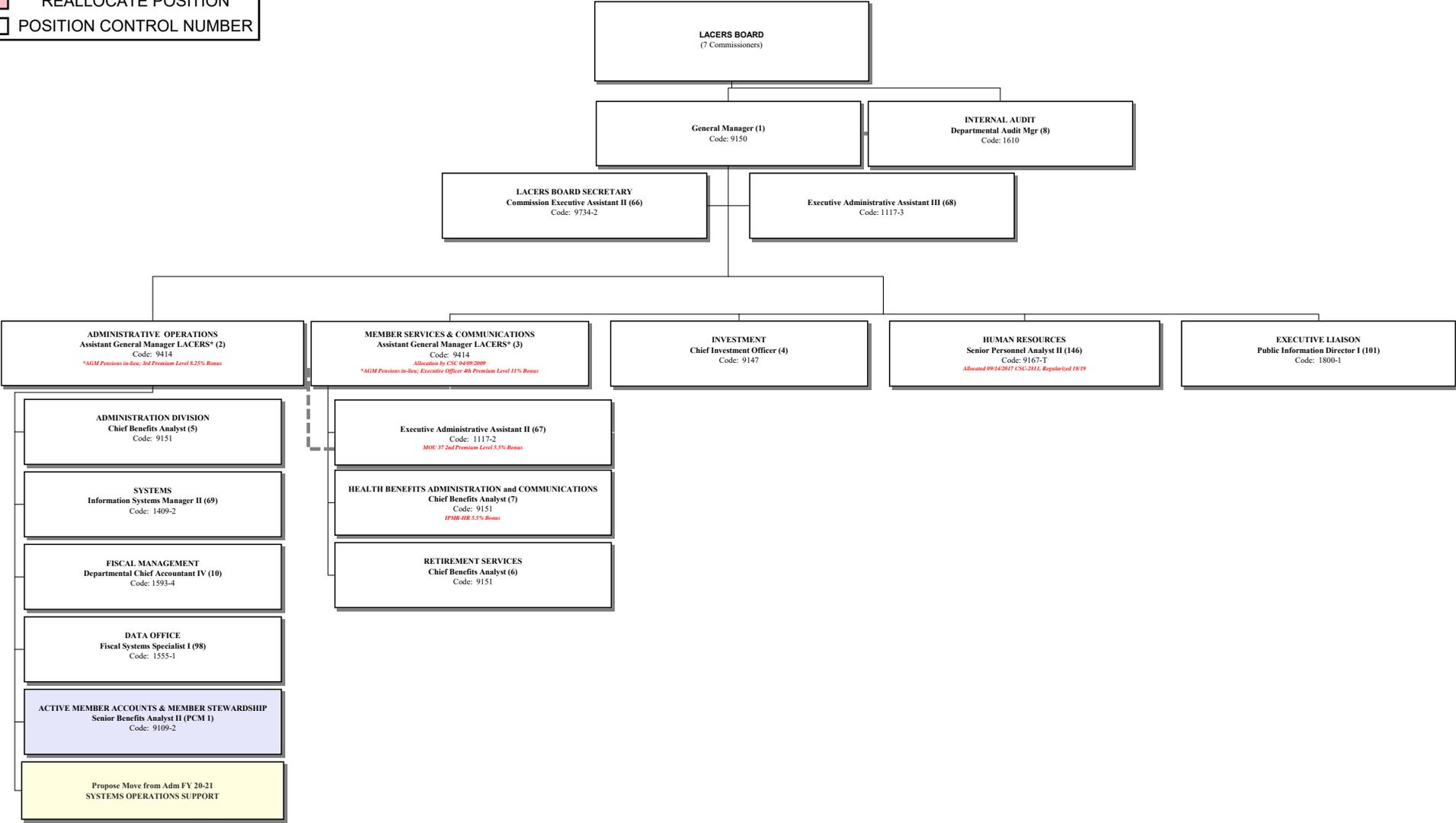
**(b) To be Employed As Needed in Such Numbers as Required:**

- 1133 RETIREMENT RELIEF WORKER
- 1358 ADMINISTRATIVE CLERK
- 1501 STUDENT WORKER
- 1502 STUDENT PROFESSIONAL WORKER
- 1525 PRINCIPAL ACCOUNTANT I
- 1535 ADMINISTRATIVE INTERN I
- 1535 ADMINISTRATIVE INTERN II
- 1538 SR PROJECT COORDINATOR
- 1596 SYSTEMS ANALYST
- 9167 SENIOR PERSONNEL ANALYST II
- 9269 ASSISTANT GENERAL MANAGER - PENSION

FY20	FY21	Change	MOU	Class Code	Class Title	Salary Range
<u>7</u>	<u>7</u>	<u>0</u>	N/A	0101-2	COMMISSIONER	\$50 PER MEETING
<u>7</u>	<u>7</u>	<u>0</u>				

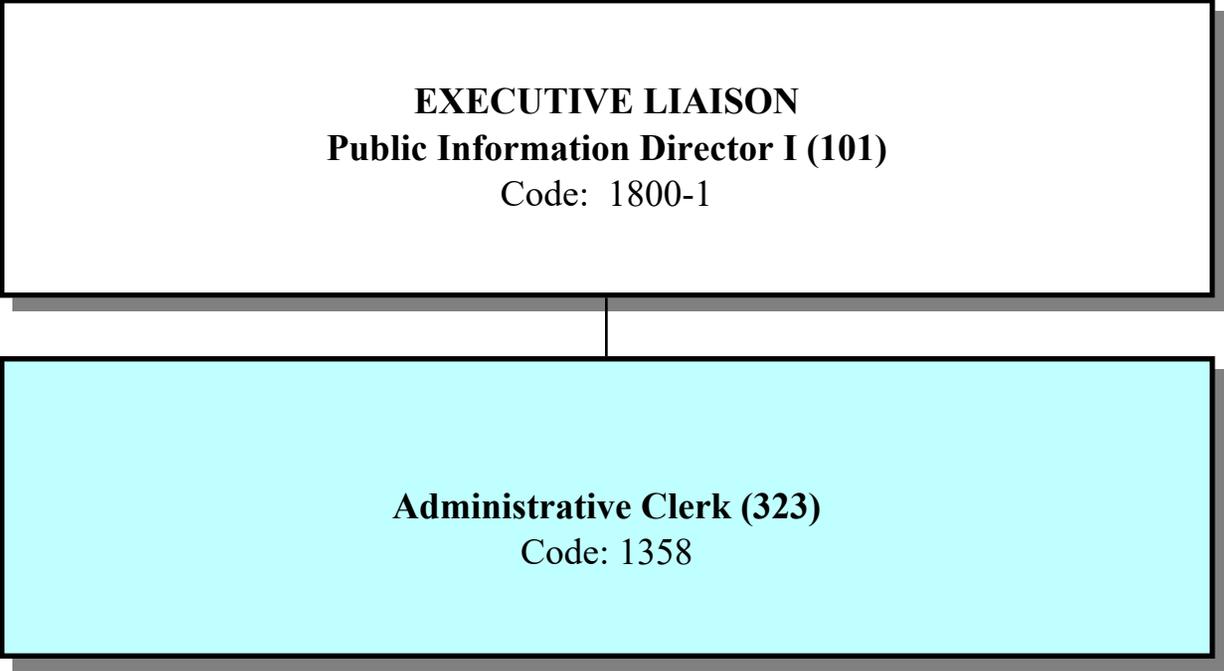
# LACERS PROPOSED ORGANIZATIONAL CHART FY 2020/2021

	SUBSTITUTE AUTHORITY
	ADD POSITION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION
	POSITION CONTROL NUMBER



**LACERS**  
**PROPOSED ORGANIZATIONAL CHART FY 2020/2021**

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**LACERS**  
**PROPOSED ORGANIZATIONAL CHART FY 2020/2021**

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**HUMAN RESOURCES**  
**Senior Personnel Analyst II (146)**  
Code: 9167-T  
*Allocated 09/14/2017 CSC-2811, Regularized 18/19*  
*IPMR-HR 5.5% Bonus*

**Sr. Pers Analyst I\* (130)**  
Code: 9167-O

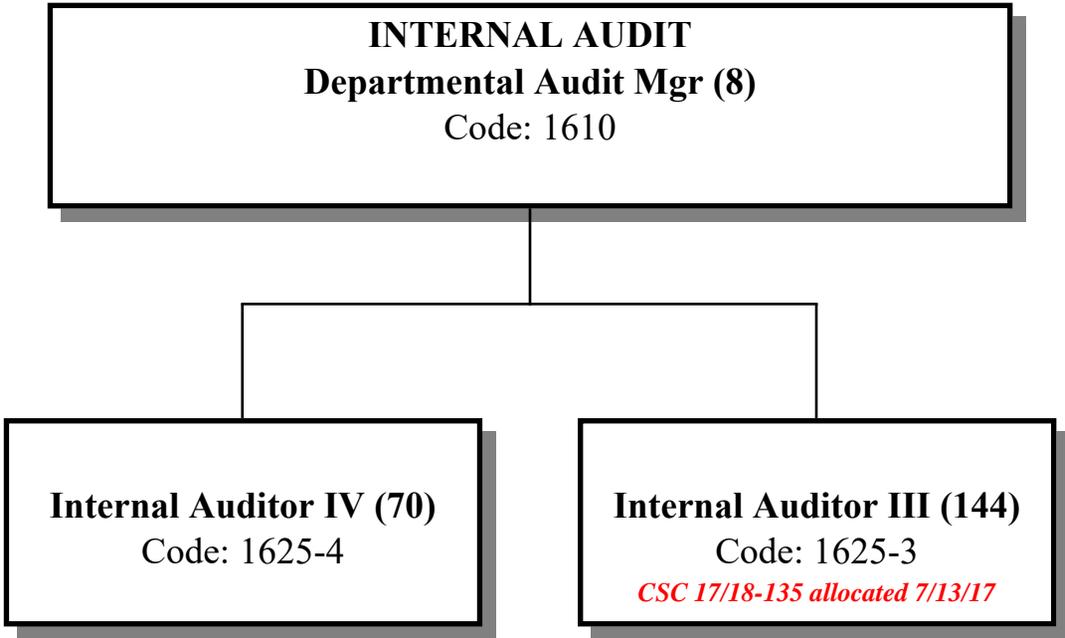
**Pers Analyst (97)**  
Code: 1731  
*\*Management Analyst in-lieu*

**Personnel Records Supervisor (143)**  
Code: 1129

**Sr Adm Clk (116)\***  
Code: 1368

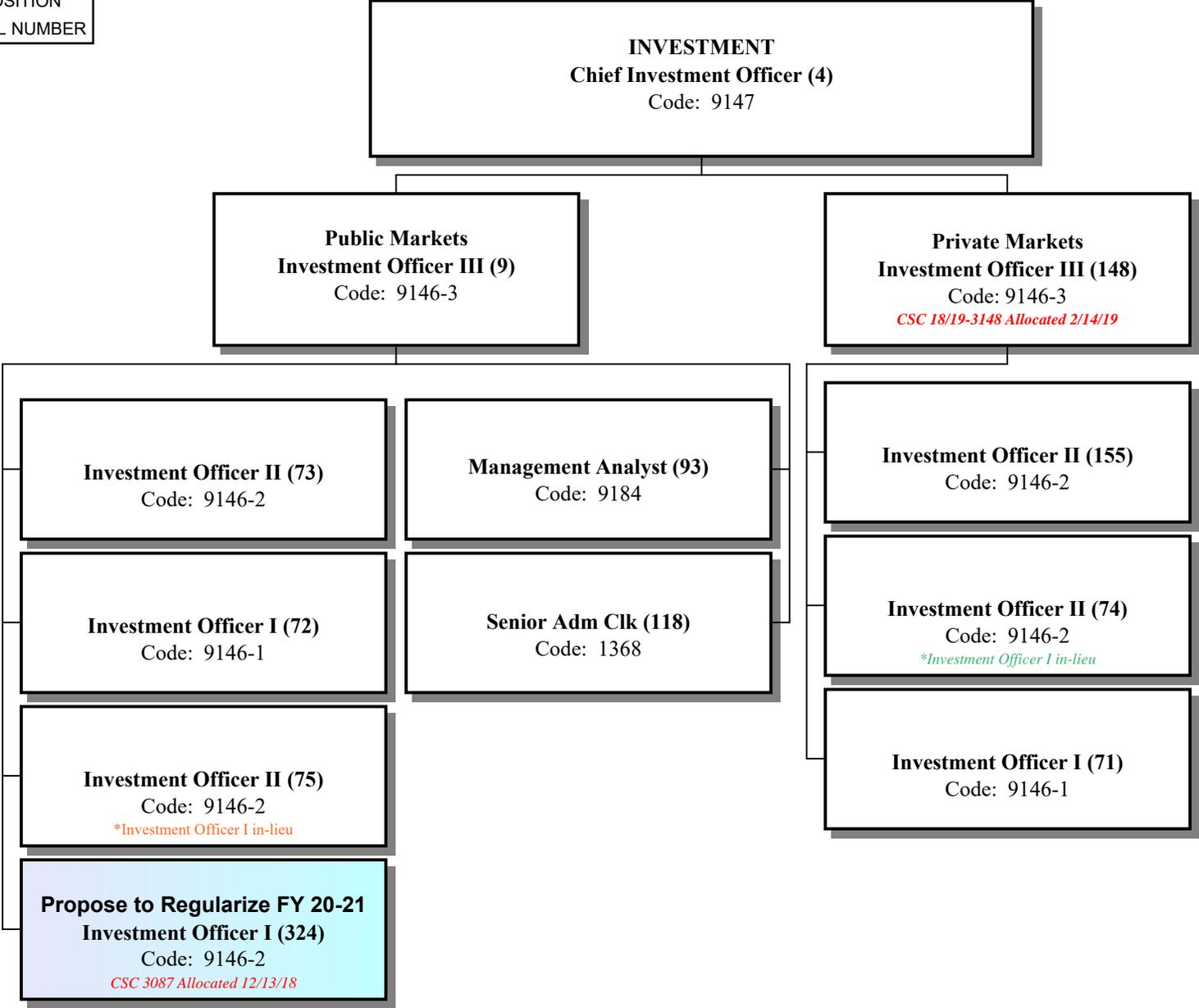
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**PROPOSED ORGANIZATIONAL CHART FY 2020/2021**

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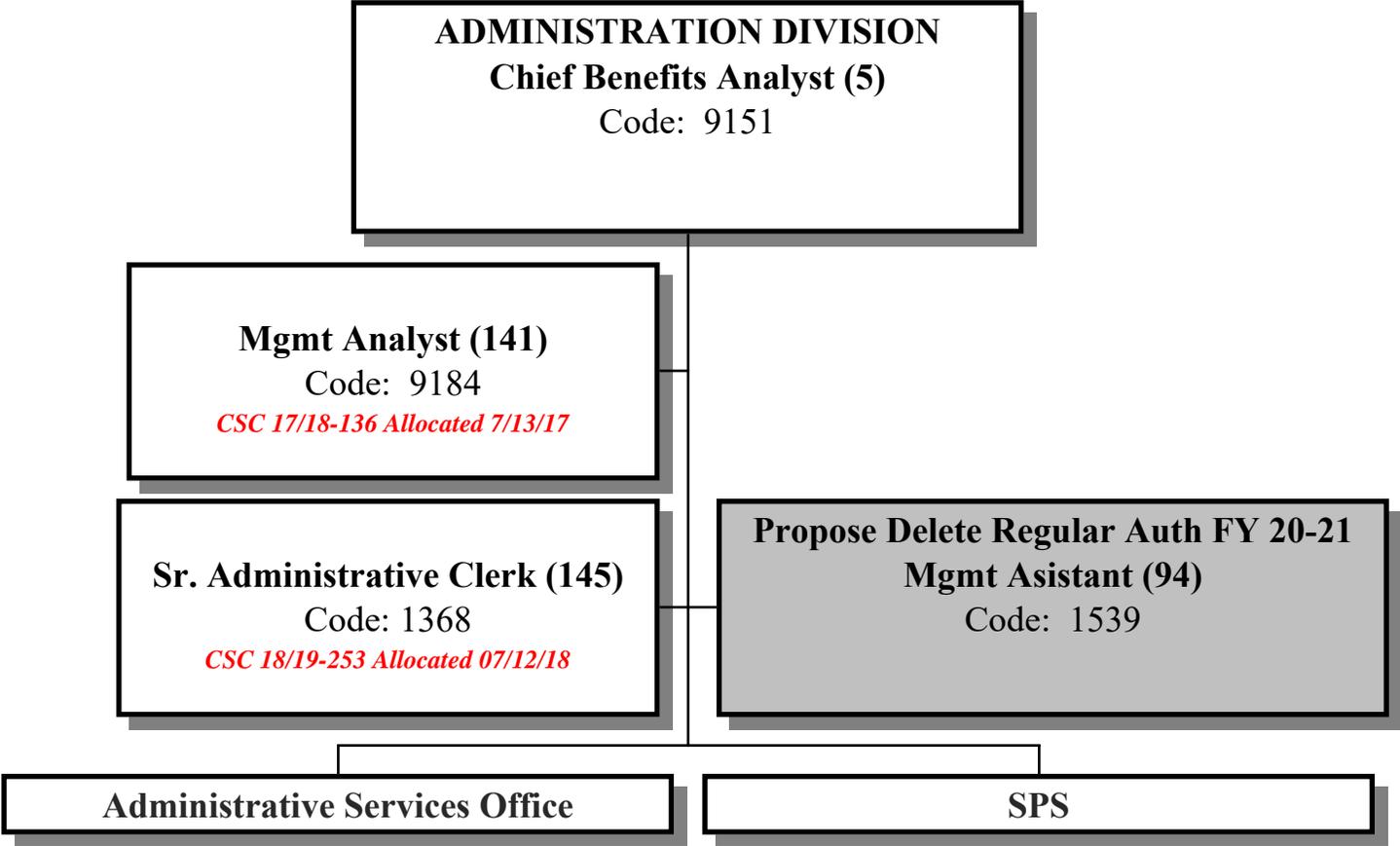
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**LACERS**  
**PROPOSED ORGANIZATIONAL CHART FY 2020/2021**

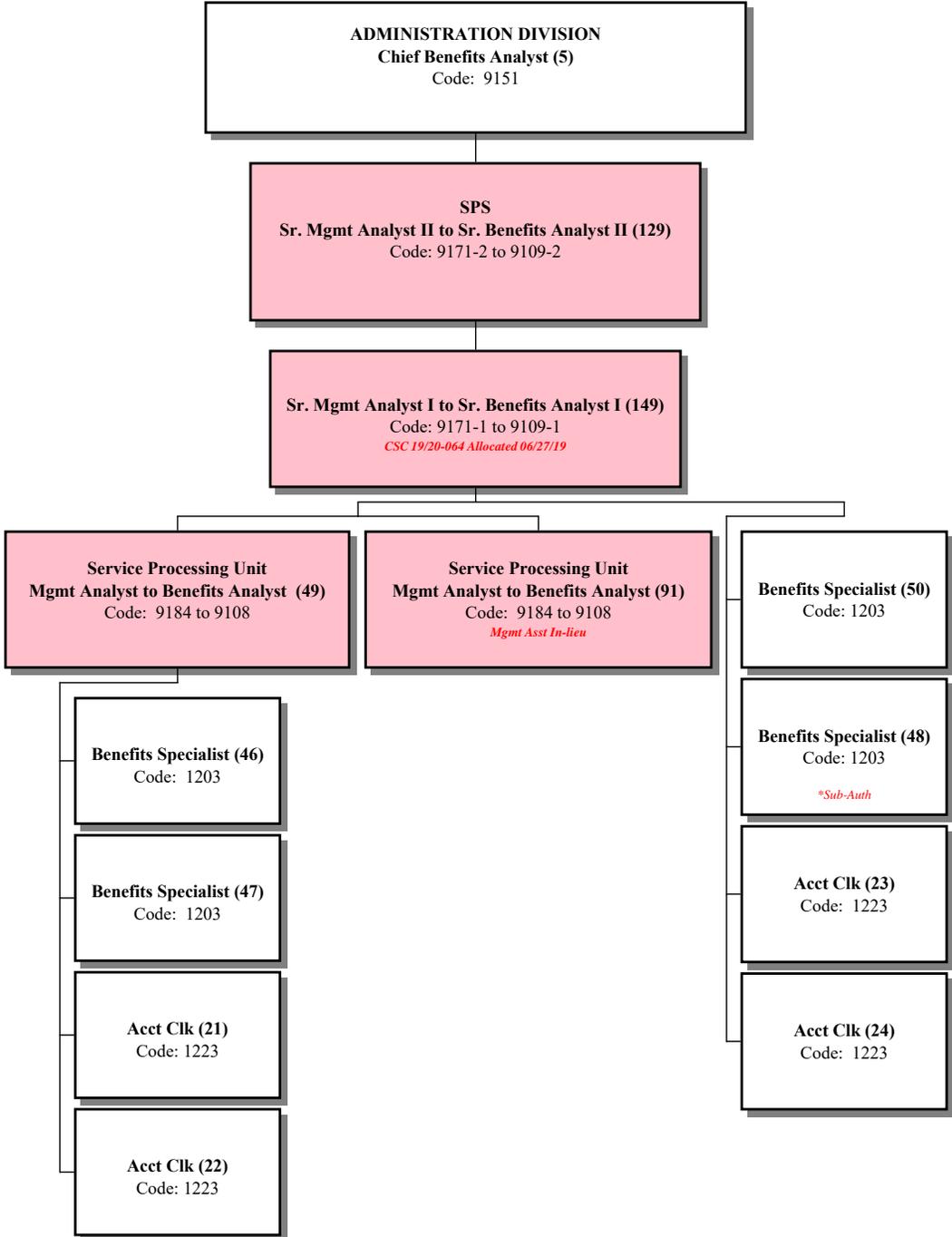
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# LACERS

## PROPOSED ORGANIZATIONAL CHART FY 2020/2021

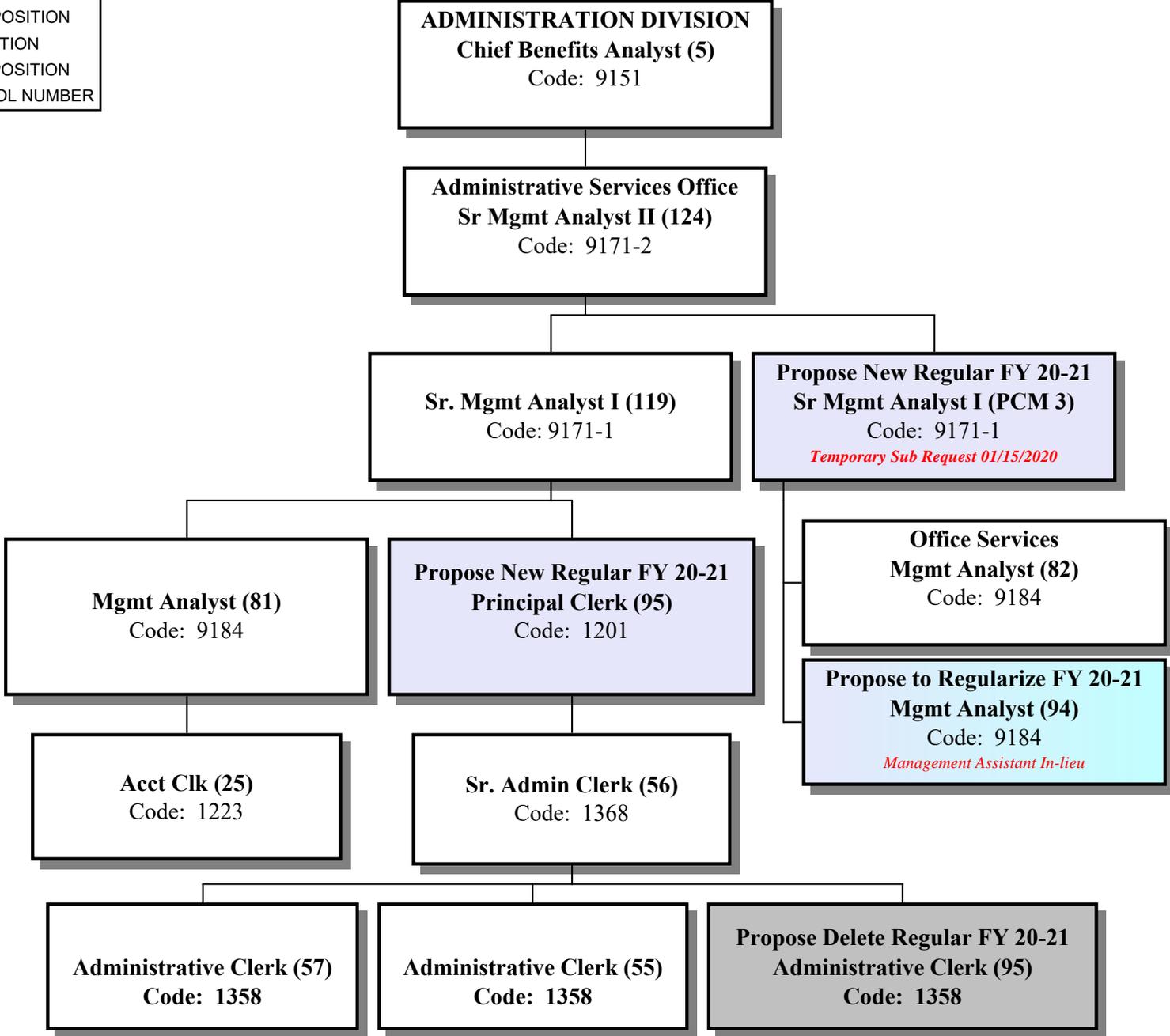
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Updated 04/30/2020

**LACERS  
PROPOSED ORGANIZATIONAL CHART FY 2020/2021**

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# LACERS PROPOSED ORGANIZATIONAL CHART FY 2020/2021

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**Propose New Regular FY 20-21**  
**Active Member Accounts & Member Stewardship Division**

**Senior Benefits Analyst II (PCM 1)**  
 Code: 9109-2

**Propose Move from HBACD FY 20-21**  
**Member Stewardship**

**Mgmt Analyst to Benefits Analyst (80)**  
 Code: 9184 to 9108

**Propose Move from Adm New Regular Auth FY 20-21**  
**Active Member Accounts**

**Benefits Analyst (96)**  
 Code: 9108  
*\*Benefits Specialist in-lieu*

**Propose Move from Adm & Delete Regular FY 20-21**  
**Active Member Accounts**

**Payroll Supr I (96)**  
 Code: 1170-1  
*\*Temp Acting Pay*

**Propose to Regularize FY 20-21**  
**Member Stewardship**

**Mgmt Analyst to Benefits Analyst (313)**  
 Code: 9184 to 9108  
*\*Mgmt Asst in lieu: CSC 2213 Allocated 6/25/15*

**Propose Move from Adm FY 20-21**  
**Acct (12)**  
 Code: 1513

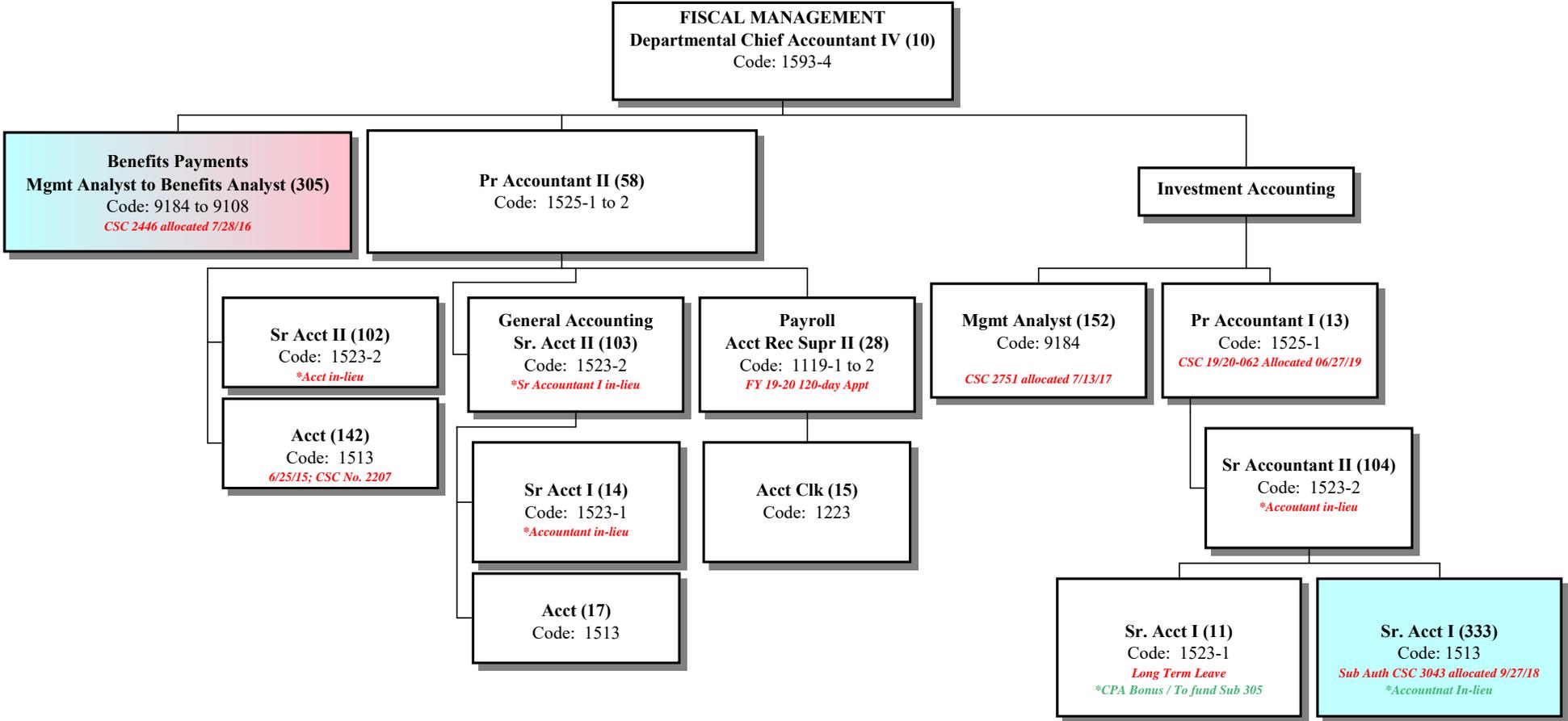
**Propose Move from Adm FY 20-21**  
**Benefits Specialist (30)**  
 Code: 1203

**Propose Move from Adm FY 20-21**  
**Benefits Specialist (29)**  
 Code: 1203

**Propose Move from Adm FY 20-21**  
**Benefits Specialist (16)**  
 Code: 1203  
*CSC 19/20-060 Allocated 06/27/19*

# LACERS PROPOSED ORGANIZATIONAL CHART FY 2020/2021

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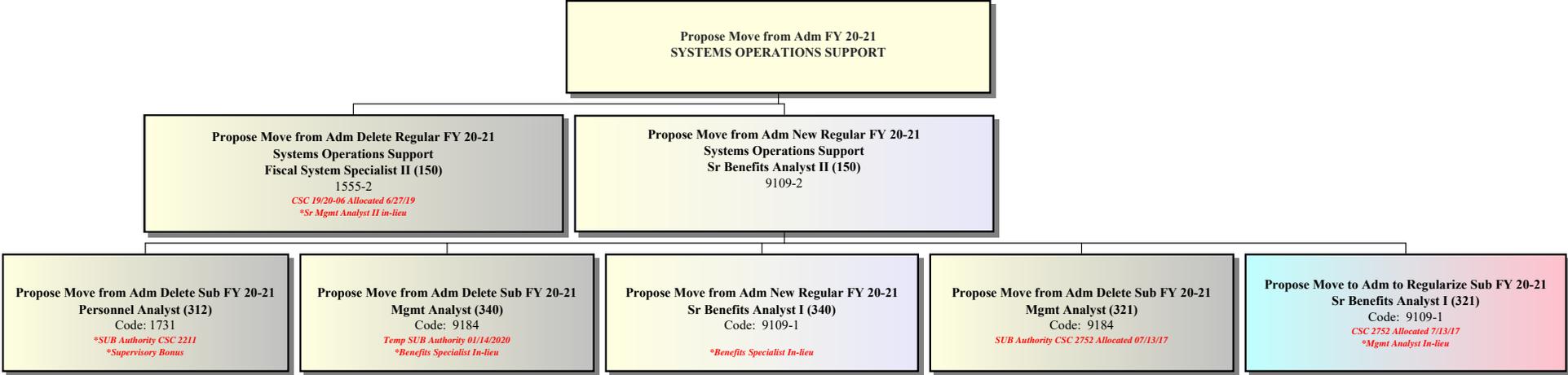
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**PROPOSED ORGANIZATIONAL CHART FY 2020/2021**

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**DATA OFFICE**  
**Fiscal Systems Specialist I (98)**  
Code: 1555-1

# LACERS PROPOSED ORGANIZATIONAL CHART FY 2020/2021

	SUBSTITUTE AUTHORITY
	ADD POSITION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION
	POSITION CONTROL NUMBER



# LACERS PROPOSED ORGANIZATIONAL CHART FY 2020/2021

	SUBSTITUTE AUTHORITY
	ADD POSITION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION
	POSITION CONTROL NUMBER

**SYSTEMS**  
Information Systems Manager II (69)  
Code: 1409-2

Network & Data Support  
Sys Programmer III (139)  
1455-3

Application Development Unit

Application Support

Propose Delete Regular FY 20-21  
Sr Sys Analyst I (132)  
Code: 1597-1

Propose New Regular FY 20-21  
Systems Programmer II (132)  
Code: 1455-2  
*\*Systems Analyst in-lieu*

Sys Analyst (135)  
Code: 1596

Propose Paygrade from IV to V FY 20-21  
Programmer/Analyst V (100)  
Code: 1431-5  
*\*Programmer/Analyst IV In-lieu*

Sr Sys Analyst II (133)  
Code: 1597-2

Programmer/Analyst III (134)  
Code: 1431-3

Programmer/Analyst III (138)  
Code: 1431-3  
*CSC 17/18-140 allocated 7/13/17*

Sr Sys Analyst I (131)  
Code: 1597-1  
*\*Systems Analyst in-lieu*

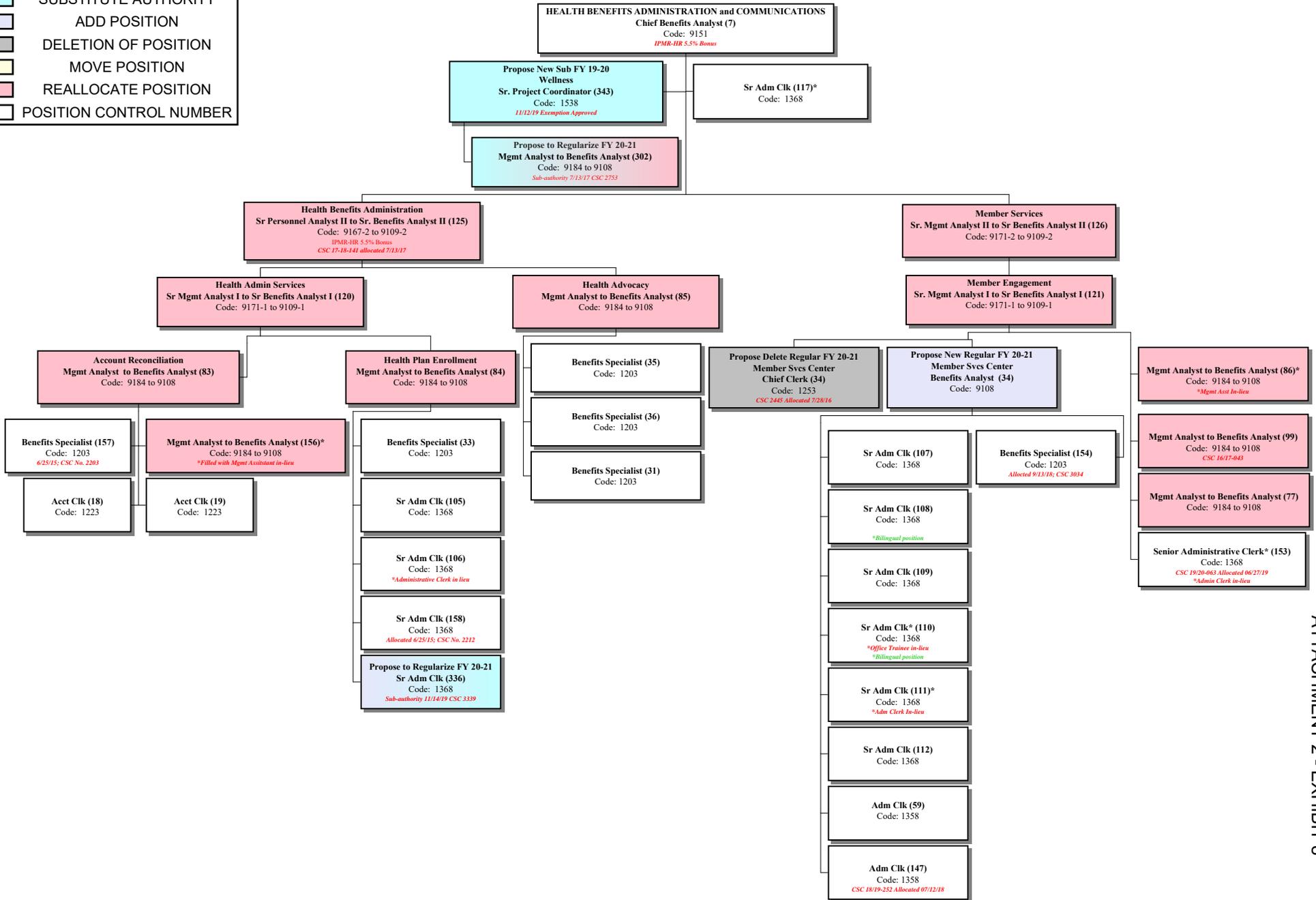
Sys Analyst (137)  
Code: 1596

Sys Analyst (136)  
Code: 1596

# LACERS

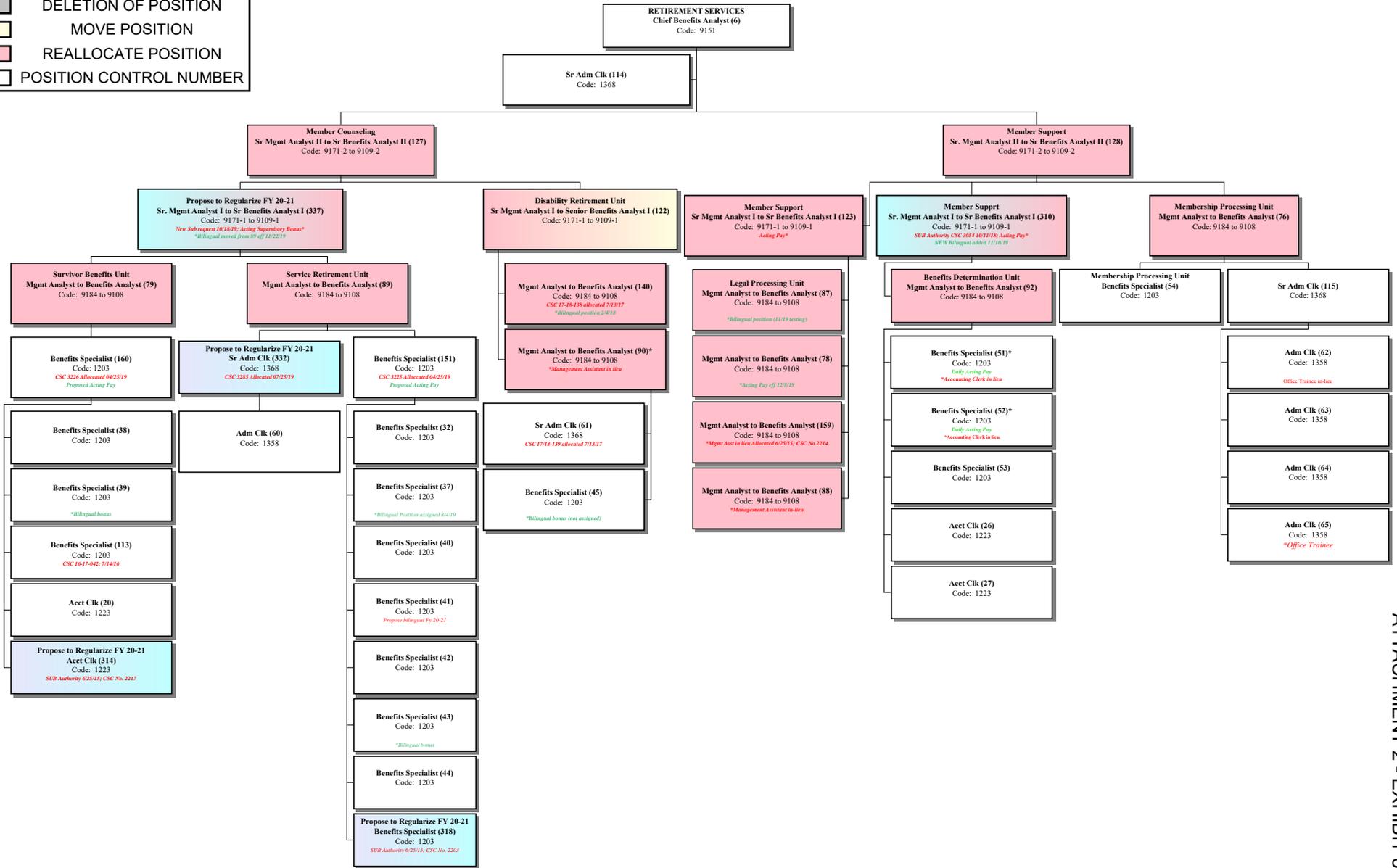
## PROPOSED ORGANIZATIONAL CHART FY 2020/2021

	SUBSTITUTE AUTHORITY
	ADD POSITION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION
	POSITION CONTROL NUMBER



# LACERS PROPOSED ORGANIZATIONAL CHART FY 2020/2021

	SUBSTITUTE AUTHORITY
	ADD POSITION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION
	POSITION CONTROL NUMBER



LOS ANGELES CITY EMPLOYEE'S RETIREMENT SYSTEM

PROPOSED RESOLUTION

DELEGATION OF AUTHORITY TO THE GENERAL MANAGER  
TO APPROVE TRANSFERS BETWEEN APPROPRIATION ACCOUNTS  
AND TO MAKE TECHNICAL CORRECTIONS TO THE BUDGET  
FOR FISCAL YEAR 2020-21

WHEREAS, the Fiscal Year 2020-21 Budget aims to improve expenditure ratios and budget closer to past and projected expenditure levels. Greater flexibility to move funds between appropriation accounts will help mitigate impacts of the budget tightening;

WHEREAS, Charter Section 343(b) and Administrative Code Section 5.36, provides authority to the head of the department, the LACERS Board of Administration, to transfer between budget appropriation accounts, within limits prescribed by the City Administrative Officer, the most current at \$55,992 for Fiscal Year 2019-20;

WHEREAS, on May 26, 2020, the Board has approved the 2020-21 Budget and desires that the General Manager have the flexibility to move funds between appropriation accounts in order to meet priorities in the most efficient and timely manner;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby delegates authority to the General Manager to transfer between budget appropriation accounts not to exceed the City thresholds; and to make technical corrections to the Budget including the update of the final City Contribution reflecting the City's Final Adopted Covered Payroll.

May 26, 2020

LOS ANGELES CITY EMPLOYEE'S RETIREMENT SYSTEM

PROPOSED RESOLUTION

DELEGATION OF AUTHORITY TO THE GENERAL MANAGER  
TO ESTABLISH A PART-TIME SALARIES ACCOUNT

WHEREAS, the LACERS Board of Administration seeks to establish a Salaries - As Needed Account for all part-time positions authorized in the Departmental Personnel Order (DPO) beginning with the 2020-21 Adopted Budget;

WHEREAS, in order to accomplish this objective, a new payroll department number in the PaySR payroll system must be established, and written authorization from the Board to the City Controller is required;

NOW, THEREFORE, BE IT RESOLVED, that the Board authorizes the establishment of a new payroll department number and a Salaries, As-Needed account. Further the Board delegates authority to the General Manager to negotiate and execute the necessary documents to implement the Board's intent.

May 26, 2020



**REPORT TO BOARD OF ADMINISTRATION**

**From: Neil M. Guglielmo, General Manager**

**MEETING: MAY 26, 2020**

**ITEM: VII-B**

*Neil M. Guglielmo*

**SUBJECT: EMERGENCY PURCHASES AND EXPENDITURES FOR COVID19 AND POSSIBLE BOARD ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board approves \$1,696.09 of purchases paid by LACERS' Emergency Credit Card for Business Continuity Plan caused by the COVID-19 Pandemic.

**Executive Summary**

On April 28, 2020, staff reported to the Board regarding LACERS' Emergency Credit Card, and the Board approved \$17,733.28 of emergency purchases made right after the activation of LACERS' Business Continuity Plan.

As expected, some additional items were needed to support telecommuting staff working remotely, and were paid by this emergency card during the billing cycle ending May 2, 2020. Since its activation, the total accumulated purchases and expenses paid by this emergency card is \$19,429.37.

**Discussion**

The \$1,696.09 of emergency purchases paid by the Emergency Cards for the last billing cycle are summarized and attached (Attachment 1). All cardholders are required to submit invoices and receipts, and Fiscal Management Division verifies the transactions. Potentially, costs incurred during COVID-19 Pandemic may be reimbursable from Federal/State funds.

**Strategic Plan Impact Statement**

This action meets the Benefit Delivery Goal by ensuring timely payment of benefits in accordance with the plan documents codified in the Los Angeles Administrative Code.

Prepared By: Mikyong Jang, Departmental Chief Accountant IV

NG/TB/MJ

Attachment: 1. Summary of emergency purchases and expenses

**Summary of Emergency Purchases and Expenses Paid by Emergency Corporate Credit Card**

<b>Purchase Date</b>	<b>Items</b>	<b>Description/Purpose</b>	<b>Card Holder</b>	<b>Amount</b>
03/24/20	31 Screen Protectors & 1 case for A20 phones	Support Telecommuting staff	JK	\$ 208.71
04/14/20	10 Multiport Adapters	DEX Technology Rollout	JK	1,042.20
04/15-17/20	10 Bluetooth Keyboard & Mouse sets	DEX Technology Rollout	JK	445.18
<b>Total Emergency Purchases &amp; Expenses from Emergency Credit Card for Cycle Ending 05/02/20</b>				<b>\$ 1,696.09</b>



**REPORT TO BOARD OF ADMINISTRATION**

**From: Investment Committee**  
Sung Won Sohn, Chair  
Elizabeth Lee  
Nilza R. Serrano

**MEETING: MAY 26, 2020**  
**ITEM: VIII – B**

**SUBJECT: INVESTMENT MANAGER CONTRACT WITH DIMENSIONAL FUND ADVISORS LP REGARDING THE MANAGEMENT OF A U.S. TREASURY INFLATION PROTECTED SECURITIES (TIPS) PORTFOLIO AND POSSIBLE BOARD ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board:

1. Approve a one-year contract extension with Dimensional Fund Advisors LP for management of a U.S. Treasury Inflation Protected Securities (TIPS) portfolio.
2. Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

**Discussion**

Dimensional Fund Advisors LP (DFA) has managed an active U.S. TIPS portfolio for LACERS since July 2014; the current contract expires on June 30, 2020. On May 12, 2020, the Committee considered the attached staff report (Attachment 1) recommending a three-year contract renewal with DFA. The report included information on internal investment management and passive management of TIPS as requested by the Committee at the January 14, 2020 meeting. The Committee discussed performance, fees, and costs relative to internal investment management and passive management of TIPS. The Committee expressed a desire to reduce LACERS' allocation to DFA's TIPS strategy (\$793 million as of April 30, 2020) given the current economic conditions and requested a staff report by July 2020 that addresses the Committee's allocation concern with possible recommendations. Accordingly, the Committee approved a one-year extension to DFA's contract.

## **Strategic Plan Impact Statement**

A contract extension with DFA will allow the fund to maintain a diversified exposure to maintain a diversified exposure to public real assets, which is expected to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure is consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Ellen Chen, Investment Officer I, Investment Division

RJ/BF/EC:jp

Attachments:   1. Investment Committee Recommendation Report dated May 12, 2020  
                  2. Proposed Resolution



**REPORT TO INVESTMENT COMMITTEE**  
From: Neil M. Guglielmo, General Manager

**MEETING: MAY 12, 2020**  
**ITEM: IV**

*Neil M. Guglielmo*

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**SUBJECT: CONTINUED DISCUSSION OF INVESTMENT MANAGER CONTRACT WITH DIMENSIONAL FUND ADVISORS LP REGARDING THE MANAGEMENT OF A U.S. TREASURY INFLATION PROTECTED SECURITIES (TIPS) PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

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**Recommendation**

That the Committee recommend to the Board a three-year contract renewal with Dimensional Fund Advisors LP (DFA) for management of a U.S. Treasury Inflation Protected Securities (TIPS) portfolio.

**Executive Summary**

Dimensional Fund Advisors LP (DFA) has managed an active U.S. Treasury Inflation Protected Securities (TIPS) portfolio for LACERS since July 2014. LACERS' portfolio was valued at \$770 million, as of March 31, 2020. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, have gathered additional pricing comparisons on both passive and active management of a TIPS portfolio as well as considered the feasibility of LACERS staff managing a TIPS portfolio internally. Staff and NEPC continue to support and recommend a three-year contract renewal with DFA.

**Discussion**

*Background*

The Committee considered the attached staff recommendation at the January 14, 2020, meeting and requested further information on 1) the feasibility of LACERS staff managing a TIPS portfolio internally and 2) fees for external passive management of a TIPS portfolio. The attached report by NEPC addresses the Committee's request and highlights considerations for internal investment management, which requires substantial technological, compliance, and back-office support resources and costly portfolio management staffing with appropriate TIPS expertise. Additionally, staff and NEPC surveyed managers for an indication of fees charged for externally managed passive TIPS portfolios, as discussed in the *Fee Comparison* section of this report. Based on this research, DFA's fees are highly competitive relative to active and passive managers. Thus, staff and NEPC continue to support active management of a TIPS portfolio by DFA primarily due to cost considerations.

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*Performance Update*

As of March 31, 2020, DFA has outperformed the benchmark, net of fees, on the 2-year, 3-year, 5-year, and since inception time periods, as presented in the table on the next page. DFA is in compliance with LACERS' Manager Monitoring Policy.

<b>Annualized Performance as of 3/31/20 (Net-of-Fees)</b>						
	3-Month	1-Year	2-Year	3-Year	5-Year	Since Inception <sup>1</sup>
DFA - TIPS	1.68	6.54	4.94	3.54	2.87	2.31
Bloomberg Barclays U.S. TIPS Index	1.69	6.85	4.76	3.46	2.67	2.17
<i>% of Excess Return</i>	<i>-0.01</i>	<i>-0.31</i>	<i>0.18</i>	<i>0.08</i>	<i>0.20</i>	<i>0.14</i>

<sup>1</sup> Performance inception date: 7/17/14

DFA's calendar year performance is presented in the table below.

<b>Calendar Year Performance as of 3/31/19 (Net-of-Fees)</b>						
	2019	2018	2017	2016	2015	7/17/14-12/31/14
DFA - TIPS	8.55	-1.15	3.22	5.13	-0.94	-2.86
Bloomberg Barclays U.S. TIPS Index	8.43	-1.26	3.01	4.68	-1.44	-2.31
<i>% of Excess Return</i>	<i>0.12</i>	<i>0.11</i>	<i>0.21</i>	<i>0.45</i>	<i>0.50</i>	<i>-0.55</i>

*Fee Comparison*

LACERS pays DFA an effective fee of 5 basis points (0.05%), which is approximately \$385,000 annually based on the value of LACERS' assets as of March 31, 2020. This fee ranks in the 2<sup>nd</sup> percentile among its peers in the eVestment U.S. TIPS / Inflation Fixed Income Universe (i.e., 98% of like-managers have higher fees). According to eVestment, fees for a \$770 million separate account in the universe of managers who offer TIPS mandates (either active or passive) range from 4 basis points to 75 basis points, with a median fee of 15 basis points.

Below is a table provided by NEPC surveying a universe of passive and active TIPS portfolios and fees charged:

Percentiles	Passive Fee (bps)	Active Fee (bps)
1st	2	4
5th	3	5
25th	3	10
50th	4	15

75th	6	20
95th	9	27
100th	9	75
Number of Strategies	9	37

Staff also surveyed LACERS' current passive managers, BlackRock Institutional Trust Company, RhumbLine Limited Partnership, and State Street Global Advisors for an indication of fees charged for passively managed TIPS portfolios. Fees ranged from 0.5 basis points to 5.5 basis points for separate accounts and 0.5 basis points to 4.5 basis points for commingled vehicles. DFA's fee of 5 bps for an actively managed separate account falls within the range of fees charged by passive TIPS managers.

Staff and NEPC continue to support active management of a TIPS portfolio by DFA due to ease of implementation, low management fees, and value added since inception.

*General Fund Consultant Opinion*

NEPC concurs with this recommendation.

**Strategic Plan Impact Statement**

A contract renewal with DFA will allow the fund to maintain a diversified exposure to public real assets, which is expected to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Barbara Sandoval, Investment Officer II, Investment Division  
Ellen Chen, Investment Officer I, Investment Division

RJ/BF/BS/EC:jp

Attachments: 1. Consultant Recommendation – NEPC, LLC  
2. Investment Committee Report from January 14, 2020



**To:** LACERS Investment Committee

**From:** NEPC, LLC

**Date:** May 12, 2020

**Subject:** Consideration of in-house TIPS management

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This memo follows up on the discussion held at the January 2020 Investment Committee meeting that addressed a question regarding internal management of parts or all of LACERS moving the investment management of their TIPS portfolio in-house as a means of saving money on the investment management fee. This memo is not meant to be exhaustive, but rather provide some initial information and thoughts for the Investment Committee's consideration.

LACERS currently pays a fee of \$384,990 or 5.0 basis points for a buy-and-hold portfolio managed by DFA. DFA focuses on securities in the middle range of the universe's available maturities, typically between 5-20 years from the date of settlement, although they may elect to hold some securities to maturity. DFA usually excludes both the very short and long dated securities and they do not attempt to replicate the index. As noted in our memo to the Investment Committee dated 1/14/2020, this fee ranks in the 2<sup>nd</sup> percentile of other TIPS products. The only other products in the universe that offer a lower fee are full replication indexed TIPS portfolios and the fee for that type of a portfolio is 4 basis points.

The universe of managers who offer TIPS mandates (either active or passive) is limited. According to the eVestment database, there are 52 investment products offered by 37 different firms. Fees for a \$770 million separate account range from 4 basis points to 75 basis points, with a median fee of 15 basis points. The 75 basis point fee is an outlier in the universe and the next most expensive fee is 35 basis points.

TIPS management techniques range from pure index replication to fully active strategies. When active managers try to add value, they do so in a number of different ways including:

- Security selection that takes advantage of pricing inefficiencies
- Inclusion of out of benchmark issues such as nominal government securities and global inflation-linked bonds
- Yield curve and duration management

The strategies employed by passively and semi-passively managed TIPS mandates range from full replication of a benchmark to slight deviations away from a benchmark to add value. For example, some of the slight deviations we've observed managers implement include:

- Focus on securities in the middle range of the universe's available maturities (between 5-20 years) from the date of settlement, excluding both very short and very long dated securities. DFA uses this approach.



- Build portfolios similar to the benchmark, but analyze liquidity patterns, market technicals and break-even rates and adjust modestly with security selection.

The following provides some of the benefits and considerations if LACERS moved the management of the TIPS portfolio away from an outside investment manager.

#### BENEFITS

- The biggest benefit of moving the management to in-house is the savings on the investment management fees that the Plan would recognize.

#### CONSIDERATIONS

- There is a layer of fiduciary protection that LACERS currently is provided since DFA is a fiduciary to LACERS. DFA carries E&O insurance should the manager breach LACERS' policy or manager guidelines.
- LACERS may need to secure additional fiduciary insurance in order to manage plan assets in-house.
- LACERS would need to incorporate a compliance system to further safeguard the assets.
- LACERS would need to have the necessary trading and accounting systems in place, staffing expertise, and salary payment of above civil service.
- Since DFA has been hired, they have demonstrated their ability to add value over and above the benchmark after fees.
- Possibility that performance would not meet or exceed the TIPS benchmark if brought in-house.

We believe these are the major issues for LACERS' consideration and we are happy to discuss further.



**REPORT TO INVESTMENT COMMITTEE**

From: Lita Payne, Executive Officer *Lita Payne*

MEETING: JANUARY 14, 2020

ITEM: IX

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**SUBJECT: INVESTMENT MANAGER CONTRACT WITH DIMENSIONAL FUND ADVISORS LP REGARDING THE MANAGEMENT OF A U.S. TREASURY INFLATION PROTECTED SECURITIES (TIPS) PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

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**Recommendation**

That the Committee recommend to the Board a three-year contract renewal with Dimensional Fund Advisors LP for management of a U.S. Treasury Inflation Protected Securities portfolio.

**Executive Summary**

Dimensional Fund Advisors LP (DFA) has managed an active U.S. Treasury Inflation Protected Securities (TIPS) portfolio for LACERS since July 2014. LACERS' portfolio was valued at \$753 million, as of November 30, 2019. DFA is in compliance with the LACERS Manager Monitoring Policy and staff recommends a three-year contract renewal.

**Discussion**

*Background*

DFA manages a U.S. TIPS portfolio for LACERS benchmarked against the Bloomberg Barclays U.S. TIPS Index. DFA's strategy provides protection against inflation by investing in inflation-linked bonds issued by the U.S. Treasury. The strategy offers benchmark-like duration and adds incremental value through yield curve positioning and low portfolio turnover. The portfolio is managed by a team of nine portfolio management professionals led by Alan Hutchinson, Vice President and Portfolio Manager, who has worked at DFA since 2006.

DFA was hired through the 2013 Active U.S. and Global Inflation-Linked manager search process and the Board authorized a three-year contract on February 25, 2014. Subsequently, the Board authorized a three-year contract renewal on January 24, 2017. The current contract expires on June 30, 2020.

*Organization*

DFA is headquartered in Austin, Texas and has more than 1,000 employees globally. As of November 30, 2019, the firm managed approximately \$595 billion in total assets, with \$4.6 billion in the TIPS strategy.

*Due Diligence*

In February 2019, Joseph Chi, Co-head of Portfolio Management and Chairman of the Investment Committee, left the firm. Jeff Fogdall assumed the sole role of Head of Portfolio Management and Chairman of the Investment Committee. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, consider this personnel transition to have no material impact to the firm or investment strategy. DFA's investment philosophy, strategy, and process have not changed over the contract period.

*Performance*

As of November 30, 2019, DFA has outperformed the benchmark, net-of-fees, on a 3-year, 5-year, and since inception time period, as presented in the table below.

Annualized Performance as of 11/30/19 (Net-of-Fees)						
	3-Month	1-Year	2-Year	3-Year	5-Year	Since Inception <sup>1</sup>
DFA	-1.29	8.53	3.74	3.22	2.47	2.03
Bloomberg Barclays U.S. TIPS Index	-0.96	8.61	3.75	3.15	2.31	1.92
<i>% of Excess Return</i>	<i>-0.33</i>	<i>-0.08</i>	<i>-0.01</i>	<i>0.07</i>	<i>0.16</i>	<i>0.11</i>

<sup>1</sup>Performance inception date: 7/17/14. Strategy was funded after contract inception date of 7/1/14.

DFA's calendar year performance is presented in the table below.

Calendar Year Performance as of 11/30/19 (Net-of-Fees)						
	1/1/19 – 11/30/19	2018	2017	2016	2015	7/17/14 – 12/31/14
DFA	7.96	-1.15	3.22	5.13	-0.94	-2.86
Bloomberg Barclays U.S. TIPS Index	8.02	-1.26	3.01	4.68	-1.44	-2.31
<i>% of Excess Return</i>	<i>-0.06</i>	<i>0.11</i>	<i>0.21</i>	<i>0.45</i>	<i>0.50</i>	<i>-0.55</i>

DFA is in compliance with the LACERS Manager Monitoring Policy.

*Fees*

LACERS pays DFA an effective fee of 5.3 basis points (0.053%), which is approximately \$400,000 annually based on the value of LACERS' assets as of November 30, 2019. The fee ranks in the 2<sup>nd</sup> percentile among its peers in the eVestment U.S. TIPS / Inflation Fixed Income Universe (i.e., 98% of like-managers have higher fees).

*General Fund Consultant Opinion*

NEPC concurs with this recommendation.

## Strategic Plan Impact Statement

A contract renewal with DFA will allow the fund to maintain a diversified exposure to public real assets, which is expected to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Barbara Sandoval, Investment Officer II, Investment Division  
Ellen Chen, Investment Officer I, Investment Division

RJ/BF/BS/EC:sg

Attachments: 1. Consultant Recommendation – NEPC, LLC



**To:** Los Angeles City Employees' Retirement System Investment Committee  
**From:** NEPC, LLC  
**Date:** January 14, 2020  
**Subject:** Dimensional Fund Advisers LP – U.S. TIPS Contract Renewal

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### **Recommendation**

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) renew the contract with Dimensional Fund Advisers, LP ('DFA') for a period of three years from the date of contract expiry.

### **Background**

DFA was funded on July 17, 2014 to provide the Plan with exposure to U.S. Treasury Inflation Protected Securities (U.S. TIPS) within the Plan's Public Real Assets asset class. As of November 30, 2019, DFA managed \$753.2 million, or 4.1% of Plan assets. The performance objective is to outperform the Bloomberg Barclays U.S. TIPS Index, net of fees, annualized over a full market cycle (normally three-to-five years). The account is currently in good standing based on LACERS' Manager Monitoring Policy.

DFA was founded in 1981 by University of Chicago MBA students David Booth and Rex Sinquefeld, whose intention was to start a fund management firm that would rely fully on academic theories of efficient markets. Papers from Finance Professors Eugene Fama and Kenneth French framed their thinking. Eugene Fama and Kenneth French remain Directors and Consultants to the company today, and the firm maintains its ties to the University of Chicago. Other notable Board Members include George Constantinides of the University of Chicago, Robert Merton of Harvard University, Myron Scholes of Stanford University, and Roger Ibbotson of Yale. Mr. Booth remains at the firm as Founder and Executive Chairman and Mr. Sinquefeld retired in 2005. The firm is a private company owned primarily by employees, directors and former employees (70%) and outside investors (30%). Headquartered in Austin, Texas, the firm has offices around the globe and as of September 30, 2019, the firm had \$579 billion in assets under management ('AUM') with over 1,400 employees. Approximately \$503 billion is managed in mutual funds, \$70.8 billion in separately managed accounts and the remainder in commingled investments.

The firm's core philosophy is to focus on a rules-based systematic investment approach that combines academic theory and empirical research. DFA believes that prices in liquid and competitive markets reflect available information about fundamental values and the aggregate risk and return expectations of market participants. They believe that diversification helps reduce uncertainty, manage risk, increase the reliability of outcomes and provide flexibility. They identify and focus on the tradeoffs that matter to targeting market premiums efficiently.



The strategy focuses on securities in the middle range of the universe's available maturities, between five and 20 years from the date of settlement, excluding both very short and very long securities, although it may continue to hold securities as their maturities fall below five years. The rationale for this approach is that there are substitutes such as short Treasuries that provide fairly good protection versus inflation over time and secondly investing beyond 20 years' maturity may provide less favorable returns.

The strategy employs a constant-maturity, low-turnover approach which can generally be described as a buy and hold strategy. The strategy does not seek to replicate the benchmark but instead provide systematic exposure to the asset class in a thoughtful, market-driven, and cost-effective manner. For the portfolio there is one issuer, the U.S. Treasury and there is no limitation on the investments of this issuer. Individual security weightings will be determined to target the duration of the Bloomberg Barclays U.S. TIPS Index.

DFA uses a team approach to investment management. The Investment Policy Committee focuses on any changes to long-term investment strategy through the combined contributions of Portfolio Research, Portfolio Management, and Trading. The Investment Committee supervises day-to-day investment management operations for all portfolios. They do not employ a traditional portfolio manager / research analyst structure. Investment Associates and Portfolio Analysts are part of the team that assists Portfolio Managers in the implementation of policies and procedures for the strategies. DFA's internal research team is comprised of research professionals engaged in academic research and product development.

In February of 2019, Joseph Chi, Co-Head of Portfolio Management and Chairman of the Investment Committee, left the firm. Mr. Chi stayed on as an ex officio member of the investment committee until August, 2019. Jed Fogdall, Co-Head of Portfolio Management and Vice President assumed the sole role of Head of Portfolio Management and Chairman of the Investment Committee. Additions to the Investment Committee over the year ended December 31, 2019 were Allen Pu and Joel Schneider. Additionally, Steve Clark rejoined the Investment Committee in January 2019, after stepping aside in October 2015 to take on additional responsibilities for the firm.

### **Performance**

Referring to Exhibit 1, since August 1, 2014 (the first full month of performance after the account inception date of July 17, 2014), the DFA portfolio has outperformed the Bloomberg Barclays U.S. TIPS Index by 0.10%, returning 2.05%, net of fees, through September 30, 2019. In the five-year period ended September 30, 2019, the portfolio outperformed the index by 0.15% (2.60% vs. 2.45%). In the one-year period ended September 30, 2019, the portfolio outperformed the benchmark by 0.56% returning 7.69%. The portfolio has an information ratio of 0.13 and active risk as measured by tracking error was 0.70% since inception ending September 30, 2019. The portfolio's Sharpe Ratio since inception was 0.28 versus the index of 0.28 indicating that the portfolio has produced returns per unit of risk taken approximately equal to the benchmark.

Referring to Exhibit 2, on a cumulative basis, the portfolio has added cumulative gains since inception with six of the last 12 quarters underperforming, which is below the allowed limit



of eight underperforming quarters as written in LACERS' Manager Monitoring Policy. Issue selection and curve positioning have been the largest contributors to returns versus the benchmark.

### **Fees**

The DFA portfolio has an asset-based fee of 0.05% annually. The fee ranks in the 2<sup>nd</sup> percentile among its peers in the eVestment U.S. TIPS/ Inflation Fixed Income Universe. In other words, 98% of the 37 products included in the peer universe have a higher fee than the LACERS account.

### **Conclusion**

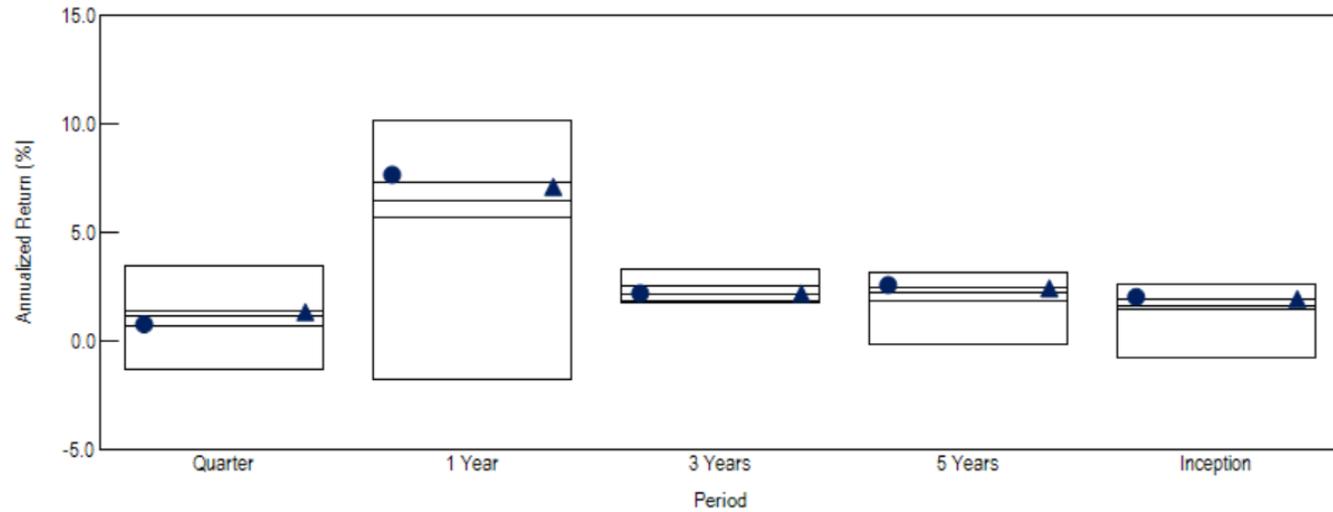
DFA has outperformed its benchmark index over the past five years and since inception ended September 30, 2019. The team has been relatively stable in the past three-to-five years. The firm's understandable systematic approach to fundamental investing may lead to favorable outcomes in the long-run. NEPC recommends a three-year contract renewal.

The following tables provide specific performance information, net of fees referenced above.



Exhibit 1

**eV US TIPS / Inflation Fixed Inc Net Return Comparison  
 Ending September 30, 2019**



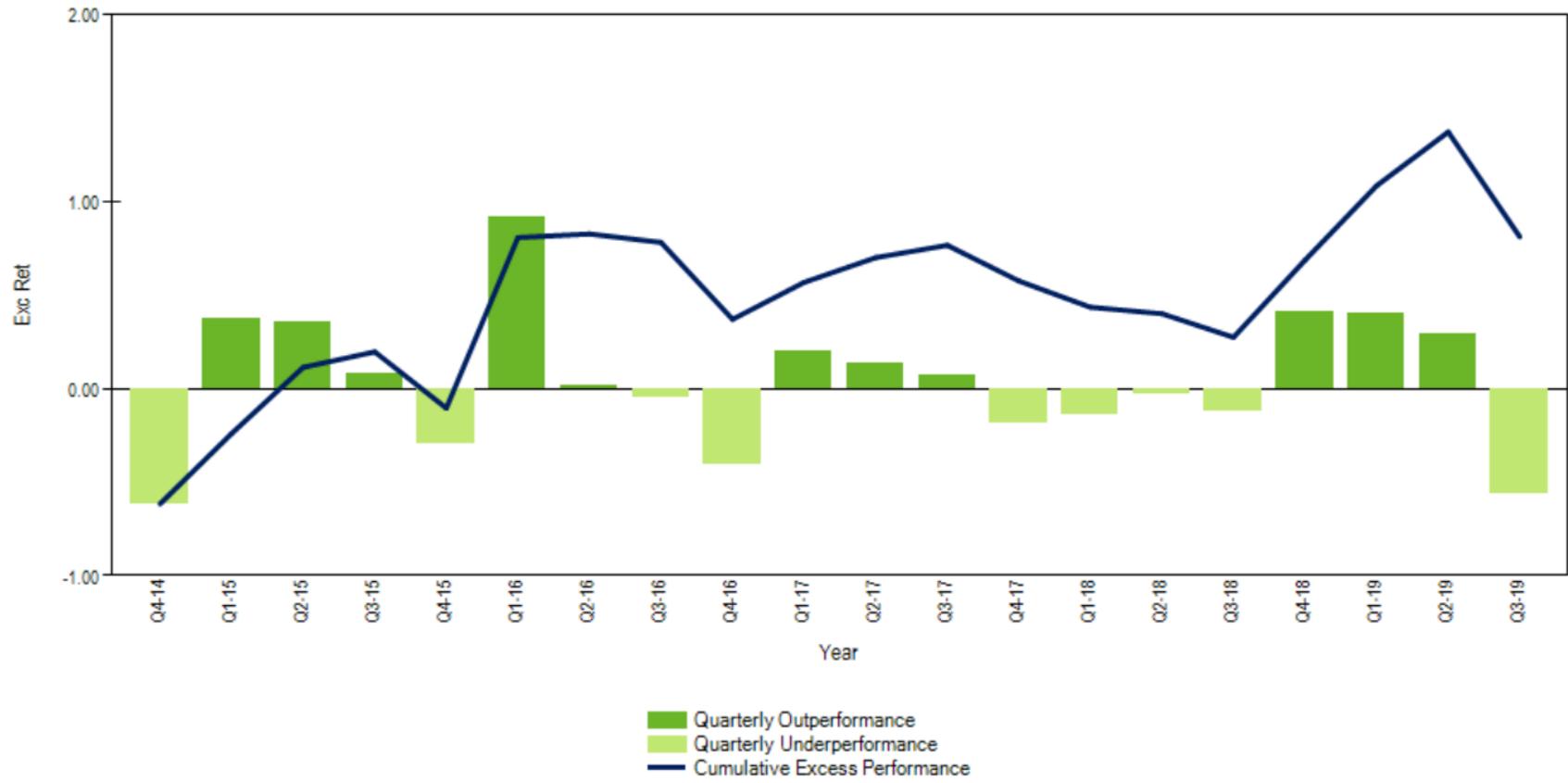
	Quarter		1 Year		3 Years		5 Years		Inception	
<b>Return (Rank)</b>	<hr/>									
5th Percentile	3.48		10.20		3.30		3.16		2.62	
25th Percentile	1.41		7.31		2.54		2.45		1.96	
Median	1.18		6.50		2.16		2.26		1.63	
75th Percentile	0.69		5.69		1.87		1.87		1.48	
95th Percentile	-1.32		-1.74		1.76		-0.17		-0.74	
<b># of Portfolios</b>	20		19		19		18		18	
● DFA US TIPS	0.78	(68)	7.69	(15)	2.21	(41)	2.60	(17)	2.05	(18)
▲ BBgBarc US TIPS TR	1.34	(38)	7.13	(34)	2.21	(41)	2.45	(25)	1.95	(26)

NEPC performance record starts from the first full month of performance.



Exhibit 2

Quarterly and Cumulative Excess Performance



CONTRACT EXTENSION  
DIMENSIONAL FUND ADVISORS LP  
ACTIVE U.S. TREASURY INFLATION PROTECTED SECURITIES (TIPS)  
PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current three-year contract with Dimensional Fund Advisors LP (DFA) for active U.S. TIPS portfolio management expires on June 30, 2020; and,

WHEREAS, DFA is in compliance with the LACERS Manager Monitoring Policy; and,

WHEREAS, a contract extension with DFA will allow the fund to maintain a diversified exposure to the public real asset markets; and,

WHEREAS, on May 26, 2020, the Board approved the Investment Committee's recommendation to approve a one-year contract extension with DFA.

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

<u>Company Name:</u>	Dimensional Fund Advisors LP
<u>Service Provided:</u>	Active U.S. TIPS Portfolio Management
<u>Effective Dates:</u>	July 1, 2020 through June 30, 2021
<u>Duration:</u>	One year
<u>Benchmark:</u>	Bloomberg Barclays U.S. TIPS Index
<u>Allocation as of April 30, 2020:</u>	\$793 million

May 26, 2020



**REPORT TO BOARD OF ADMINISTRATION**

**From: Investment Committee**  
Sung Won Sohn, Chair  
Elizabeth Lee  
Nilza R. Serrano

**MEETING: MAY 26, 2020**  
**ITEM: VIII – C**

**SUBJECT: PRIVATE CREDIT MANDATE UPDATE AND POSSIBLE BOARD ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board:

1. Rescind the contract award to Alcentra Limited for the non-U.S. portion of the Private Credit Mandate search; and
2. Redeploy the initial \$100 million commitment that was approved for Alcentra Limited to Crescent Capital Group LP.

**Discussion**

On July 23, 2019, the Board awarded the Private Credit Mandate to four finalists. The Board approved initial funding of \$100 million each to Benefit Street Partners L.L.C. (Benefit Street) and Alcentra Limited (Alcentra) for the U.S. and non-U.S. portions of the mandate, respectively, with funding for Monroe Capital LLC (Monroe) and Crescent Capital Group LP (Crescent) to occur at a future date to be determined by the Committee and Board. During the contracting process, staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, were notified of significant and unexpected turnover of senior Alcentra personnel. On May 12, 2020, the Committee considered the attached report from staff and NEPC recommending that the contract awarded to Alcentra be rescinded. The Committee concurs with the staff and NEPC recommendation to terminate the contracting process with Alcentra and redeploy Alcentra's initial \$100 million commitment to Crescent. Additionally, the Committee requested that staff report back on the deployment pace for the Private Credit mandate, with careful consideration given to risks present in the current economic environment.

## **Strategic Plan Impact Statement**

The Private Credit Mandate allows the fund to maintain a diversified exposure to Credit Opportunities, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). Completing the competitive bidding process and the discussion of investment managers' strategies are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

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

RJ/BF/WL/RK:jp

Attachments:       1. Investment Committee Recommendation Report dated May 12, 2020  
                          2. Proposed Resolution



**REPORT TO INVESTMENT COMMITTEE**  
From: Neil M. Guglielmo, General Manager

**MEETING: MAY 12, 2020**  
**ITEM: V**

*Neil M. Guglielmo*

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**SUBJECT: PRIVATE CREDIT MANDATE UPDATE AND POSSIBLE COMMITTEE ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

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**Recommendation**

That the Committee recommend to the Board:

1. Rescission of the contract award to Alcentra Limited for the non-U.S. portion of the Private Credit Mandate search; and
2. Redeployment of the initial \$100 million commitment that was approved for Alcentra Limited to Crescent Capital Group LP.

**Executive Summary**

On July 23, 2019, the Board awarded contracts to four finalists for the Private Credit Mandate search. The Board also approved initial funding of \$100 million each to Benefit Street Partners L.L.C. (Benefit Street) and Alcentra Limited (Alcentra) for the U.S. and non-U.S. portions of the mandate, respectively, with funding for Monroe Capital LLC (Monroe) and Crescent Capital Group LP (Crescent) to occur at a future date to be determined by the Committee and Board. During the contracting process, staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, were notified of significant and unexpected turnover of senior Alcentra personnel. Based on these organizational changes, staff and NEPC recommend termination of the contracting process with Alcentra and redeployment of Alcentra's initial \$100 million commitment to Crescent.

**Discussion**

*Background*

On June 11, 2019, the Investment Committee (Committee) interviewed Benefit Street Partners L.L.C. (Benefit Street) and Monroe Capital LLC (Monroe) as finalists for the U.S. portion of the Private Credit Mandate search; and Alcentra Limited (Alcentra) and Crescent Capital Group LP (Crescent) as finalists for the non-U.S. portion of the search. After interviewing the finalist firms, the Committee directed staff to explore the option of retaining all four finalist firms while initially funding Alcentra and Benefit Street. On July 9, 2019, the Committee reconvened to discuss staff's findings and concurred with the staff

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recommendation. On July 23, 2019, the Board approved the finalists recommended by the Committee and an implementation plan whereby Benefit Street and Alcentra would be funded with an initial amount of \$100 million each; Monroe and Crescent would be funded at a future date to be determined by the Committee and Board.

During the contracting phase in December 2019, staff was informed that Alcentra's Chief Investment Officer, Vijay Rajguru, and the head of lending in the United Kingdom, Natalia Tsitoura, would be leaving the firm. Staff held a teleconference with representatives from Alcentra on December 19, 2019, to discuss these departures. On February 10, 2020, Alcentra announced that Graeme Delaney-Smith, Co-Head of European Direct Lending, would be retiring. While the departure of Mr. Delaney-Smith did not trigger a key person event for Alcentra's closed-end partnerships, when combined with the departure of the two other senior investment professionals, it raised concerns about the stability of the team. On March 19, 2020, staff held another teleconference with representatives from Alcentra to discuss these organizational changes. While the firm's management took action to replace these professionals, staff does not have confidence that Alcentra will continue to perform as expected by the results of due diligence activities conducted during LACERS' manager search process. Therefore, staff recommends rescinding the contract award to Alcentra and redeploying the initial funding of \$100 million to Crescent.

*General Fund Consultant Opinion*

NEPC concurs with this recommendation. The attached memo summarizes NEPC's findings.

**Strategic Plan Impact Statement**

The Private Credit Mandate allows the fund to maintain a diversified exposure to Credit Opportunities, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). Completing the competitive bidding process and the discussion of investment managers' strategies are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

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

RJ/BF/WL/RK:jp

Attachment: 1. Consultant Recommendation – NEPC, LLC



NEPC, LLC

**To:** Los Angeles City Employees' Retirement System Investment Committee  
**From:** NEPC, LLC  
**Date:** May 12, 2020  
**Subject:** Private Credit Recommendation

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### **Recommendation**

NEPC recommends that the Los Angeles City Employees' Retirement System (LACERS) discontinue the contracting phase with Alcentra Limited ('Alcentra') and pursue funding Crescent Capital Group LP ('Crescent') subject to successful staff negotiations on contracting terms.

### **Background**

The LACERS Board approved a new strategic asset allocation on April 10, 2018 that included a 3.75% (approximately \$670 million) allocation to private credit. On May 28, 2019, the Board approved a Private Credit Implementation Plan that slows the deployment of the strategic allocation of capital over the course of the next three to five years citing concerns around asset valuations and being in the late stages of the business cycle. The Implementation Plan calls for an allocation of \$200 million split evenly between U.S. and Non-U.S. focused private credit strategies.

On June 11, 2019, the LACERS Investment Committee directed staff to explore retaining four firms while initially funding Alcentra in Non-U.S. private credit and Benefit Street Partners L.L.C. in U.S. private credit. The other two firms identified for an allocation of capital were Crescent Capital Group LP in Non-U.S. private credit and Monroe Capital LLC in U.S. private credit.

### **Summary of Alcentra Event**

On February 10<sup>th</sup>, 2020, Alcentra announced that Graeme Delaney-Smith, Co-Head of European Direct Lending ('EDL'), is retiring from the Firm after 16 years. Mr. Delaney-Smith first worked on the firm's mezzanine strategy and became Head of European Direct Lending in December 2012. Graeme solely led the European direct lending business until the hiring of Peter Glaser in May 2018. Since that time, Graeme and Peter were Co-Heads of European Direct Lending. Alcentra expects Graeme will remain with Alcentra until July 24, 2020 and he will focus on transitioning his responsibilities. Graeme's departure does not trigger a Key Person Event in their closed-end partnerships.

Peter Glaser has been appointed Head of European Direct Lending following Graeme's announcement to retire. In addition to taking full responsibility for managing the growth of the EDL team, Peter will be overseeing all day-to-day operations. He will continue as portfolio manager and will sit on the Firm's European and US Direct Lending Investment Committees. Peter will report to Daniel Fabian, President and Chief Operating Officer.



Alcentra has announced further changes to the EDL team as part of its growth strategy. The Firm has made two senior hires, Howard Sharp and Paul Hollis. Howard Sharp joins from Park Square Capital as a Managing Director and Head of Origination and will begin in July 2020. Paul Hollis joins from Fosun Asset Management as a Managing Director focusing on origination and execution on a Pan-European basis. Both will report directly to Peter Glaser.

### **Conclusion**

NEPC has concluded that Graeme Delany-Smith's departure was not a surprise to NEPC. There have been several departures and organizational changes at the Firm in the past couple of years which put pressure on the remaining senior investment professionals. This disruption within Alcentra is seen as significant and detrimental to the Non-U.S. strategy and future fund offerings going forward. NEPC recommends that the allocation of the Non-U.S. private credit capital be made with Crescent Capital Group LP and to not move forward with Alcentra.

RESCISSION OF CONTRACT AWARD  
TO ALCENTRA LIMITED FOR THE  
PRIVATE CREDIT MANDATE SEARCH

PROPOSED RESOLUTION

WHEREAS, on July 23, 2019, the Board authorized contract awards to four finalists in the Private Credit Mandate search: Benefit Street Partners L.L.C. and Monroe Capital LLC for the U.S. portion of the search; and Alcentra Limited (Alcentra) and Crescent Capital Group LP (Crescent) for the non-U.S. portion; and,

WHEREAS, on July 23, 2019, the Board approved initial funding of \$100 million to Alcentra; and,

WHEREAS, during the contracting process, staff and NEPC, LLC, LACERS' General Fund Consultant, were notified of significant and unexpected turnover of senior Alcentra personnel; and

WHEREAS, on May 12, 2020, the Investment Committee reviewed staff's and NEPC's assessment of Alcentra's organizational changes, concurred with the staff recommendation to terminate the contracting process with Alcentra and redeploy the \$100 million funding to Crescent, and referred the recommendation to the Board for consideration; and

WHEREAS, on May 26, 2020, the Board reviewed and approved the Investment Committee's recommendation to terminate the contracting process with Alcentra and redeploy the \$100 million funding to Crescent.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby rescinds the contract award to Alcentra and authorizes LACERS staff to redeploy Alcentra's initial funding of \$100 million to Crescent.

May 26, 2020

Private Equity Portfolio Performance Report  
As of December 31, 2019

- Private Equity Portfolio Overview
- Summary Of 2019 Activity
- Private Equity Portfolio Exposures
- Private Equity Performance Drilldown
- Appendix – Fund-By-Fund Returns
  - Active Core Portfolio
  - Liquidated Core Portfolio
  - Active Specialized Portfolio
  - Liquidated Specialized Portfolio

## Aggregate Portfolio Summary As Of December 31, 2019

- ❖ As of December 31, 2019 the aggregate portfolio's fair market value of \$2.1 billion represents 11.2% of Total Plan Assets

Aggregate Portfolio Private Equity Exposure Summary	
Total Plan Market Value	\$18,867,824,935
Private Equity Exposure Target (%)	14.0%
Private Equity Exposure Target (\$)	\$2,641,495,491
Private Equity Exposure (%)	11.2%
Fair Market Value ("FMV")	\$2,110,267,957

- ❖ As of March 31, 2020 Total Plan Assets had decreased to ~\$16.3 billion – which translates into ~13.0% exposure to private equity (based on private equity Fair Market Value as of 12/31/19)

## Aggregate Portfolio Snapshot – Year Over Year

- ❖ LACERS has committed \$5.1 billion to 277 partnerships since the inception of its private equity program in 1995; 226 of those partnerships remain active as of 12/31/19
- ❖ Distributions for the year (\$340mm) slightly outpaced contributions for the year (\$338mm)
- ❖ The Fair Market Value of the portfolio increased by \$229 million during the year
- ❖ The aggregate portfolio has generated a total value of 1.56x and a Net IRR of 11.2% since inception

### Aggregate Portfolio Snapshot (\$ millions)

Portfolio Since Inception	12/31/19	12/31/18	Change (+/-)
Partnerships	277	257	+ 20
Active	226	215	+ 11
Inactive	51	42	+ 9
Sponsors	109	107	+ 2
Investment To Date Contributions	\$3,805	\$3,467	+ \$338
Investment To Date Distributions	\$3,763	\$3,423	+ \$340
Fair Market Value	\$2,108	\$1,879	+ \$229
Fair Market Value + Distributions	\$5,872	\$5,302	+ \$570
TVPI <sup>1</sup>	1.56x	1.54x	+ 0.02x
Net IRR	11.2%	11.1%	+ 0.1%

1. Total Value / Paid In Capital ("TVPI") - (Cumulative Distributions + Fair Market Value) / (Cumulative Contributions)

## The Aggregate Portfolio Can Be Grouped Into Vintage Year Buckets

- ❖ “Mature” bucket (\$222.5 million of fair market value with vintage years ranging from 1995-2009)
  - Minimal change year over year with respect to Net TVPI and Net IRR
  - Will have limited impact going forward given the small value relative to other buckets
- ❖ “Maturing” bucket (\$1,253.5 million of fair market value with vintage years ranging from 2010-2015)
  - Net TVPI increased .09x while the Net IRR fell by ~15bps
  - Potential for growth or decline to occur in these investments
  - Bulk of any near-term distributions are likely to come from the “Maturing” bucket
- ❖ “Developing” bucket (\$634.3 million of fair market value with vintage years ranging from 2016-2020)
  - Net TVPI and Net IRR increased meaningfully
  - Significant potential for growth or decline to occur in these investments
  - Bulk of the near-term contributions are likely to come from the “Developing” bucket

\$'s in millions									
Vintage Years	LTM <sup>1</sup>	ITD <sup>1</sup>	LTM <sup>1</sup>	ITD <sup>1</sup>	Fair	12/31/2019	Year Over Year	12/31/2019	Year Over Year
	Contributions	Contributions	Distributions	Distributions	Market Value	Net TVPI	Change	Net IRR	Change
							Net TVPI	Net IRR	Net IRR
Mature (1995-2009)	\$2.81	\$1,877.66	\$85.04	\$2,825.73	\$222.53	1.62x	0.00x	10.45%	-0.07%
Maturing (2010-2015)	\$84.81	\$1,342.73	\$230.22	\$885.43	\$1,253.48	1.63x	0.09x	14.17%	-0.15%
Developing (2016-2020)	\$250.32	\$585.00	\$25.01	\$52.48	\$634.26	1.18x	0.08x	13.03%	3.20%
<b>Total Portfolio</b>	<b>\$337.94</b>	<b>\$3,805.38</b>	<b>\$340.27</b>	<b>\$3,763.65</b>	<b>\$2,110.27</b>	<b>1.56x</b>	<b>0.02x</b>	<b>11.17%</b>	<b>0.06%</b>

<sup>1</sup> Last 12 Months (“LTM”) and Inception to Date (“ITD”)

## 10 Largest Sponsor Relationships (by total exposure)

- ❖ The top ten Sponsors by exposure account for 33.7% of aggregate portfolio exposure and 23.2% of aggregate portfolio commitments

Firm	Number of Funds	Commitment	% of Total Comm	Exposure (FMV + Unfunded)	% of Total Exposure	TVPI	Net IRR
Vista Equity Partners	7	\$185,000,000	3.6%	\$192,356,158	5.4%	2.07x	22.2%
ABRY Partners	6	\$145,000,000	2.8%	\$146,947,169	4.2%	1.25x	9.6%
Advent International	5	\$145,000,000	2.8%	\$132,320,692	3.7%	1.64x	16.0%
Thoma Bravo	5	\$90,000,000	1.8%	\$119,164,173	3.4%	1.85x	24.7%
Platinum Equity	4	\$112,500,000	2.2%	\$105,732,861	3.0%	1.64x	28.5%
Spark Management Partners	6	\$93,750,000	1.8%	\$104,048,457	2.9%	2.42x	27.4%
New Enterprise Associates	4	\$95,000,000	1.9%	\$103,565,654	2.9%	1.60x	15.7%
Technology Crossover Ventures	5	\$104,500,000	2.0%	\$100,481,558	2.8%	1.95x	14.9%
EnCap Investments	4	\$120,000,000	2.3%	\$97,535,330	2.8%	1.11x	4.5%
Hellman & Friedman	5	\$100,463,972	2.0%	\$91,816,195	2.6%	2.09x	20.3%

# SUMMARY OF 2019 ACTIVITY



Board Meeting: 05/26/20  
Item VIII-D

## New Investments made in 2019

Commitments – 1/1/19 – 12/31/19						
Closing Date	Sponsor	Partnership	Fund Size <sup>1</sup>	New or Existing	Investment Strategy	Commitment Amount (\$million)
2/14/2019	<b>Spark Capital</b>	Spark Capital Partners VI	\$400	Existing	VC-Early Stage Growth Equity	\$13.3
		Spark Capital Growth Fund III	\$800			\$26.7
2/21/2019	<b>Genstar Partners</b>	Genstar Capital Partners IX	\$5,000	New	Medium Buyouts	\$50.0
2/28/2019	<b>Gilde Buyout Partners</b>	Gilde Buyout Fund VI	€1,500	Existing	Medium Buyouts	€34.9 <sup>3</sup>
3/7/2019	<b>Harvest Partners</b>	Harvest Partners VIII	\$3,250	Existing	Medium Buyouts	\$50.0
3/22/2019	<b>DEFY<sup>2</sup></b>	DEFY Partners II	\$225	Existing	VC-Early Stage	\$18.0
5/2/2019	<b>TA Associates</b>	TA XIII	\$7,500	Existing	Growth Equity	\$35.0
5/2/2019 6/25/2019	<b>Advent International</b>	Advent International GPE IX	\$17,500	Existing	Large Buyouts Medium Buyouts	\$45.0
		Advent Global Technology Fund	\$1,750			\$15.0
5/3/2019	<b>Freeman Spogli</b>	FS Equity Partners VIII	\$1,500	New	Medium Buyouts	\$25.0
5/23/2019	<b>Platinum Equity</b>	Platinum Equity Capital Partners V	\$8,000	Existing	Large Buyouts	\$50.0
6/6/2019	<b>NEA</b>	New Enterprise Associates 17	\$3,600	Existing	VC-Multi-Stage	\$35.0
7/30/2019	<b>P4G<sup>2</sup></b>	P4G Capital Fund I	\$300	New	Small Buyouts	\$10.0
7/31/2019	<b>Oak HC-FT</b>	Oak HC- FT III	\$700	Existing	VC- Multi-Stage	\$25.0
8/16/2019	<b>Sunstone<sup>2</sup></b>	Sunstone Partners II	\$375	Existing	Growth Equity	\$10.0
7/30/2019	<b>Montagu Private Equity</b>	Montagu Fund VI	€3,500	New	Medium Buyouts	€35.4 <sup>4</sup>
10/10/2019	<b>KPS</b>	KPS Special Situations Fund V	\$5,000	Existing	Large Buyouts Medium Buyouts	\$40.0
		KPS Special Situations Mid Cap Fund	\$750			\$10.0
12/10/2019	<b>Clearlake Capital</b>	Clearlake Capital Partners VI	\$5,000	New	Distressed	\$30.0
<b>Total</b>	<b>16</b>	<b>19</b>				<b>~\$568.0</b>

<sup>1</sup> Based on target fund size.

<sup>2</sup> Qualifies as an Emerging Manager based on LACERS' definition.

<sup>3</sup> Commitment made in Euros – translates into roughly \$40.0 million based on 1/14/19 Fx rate.

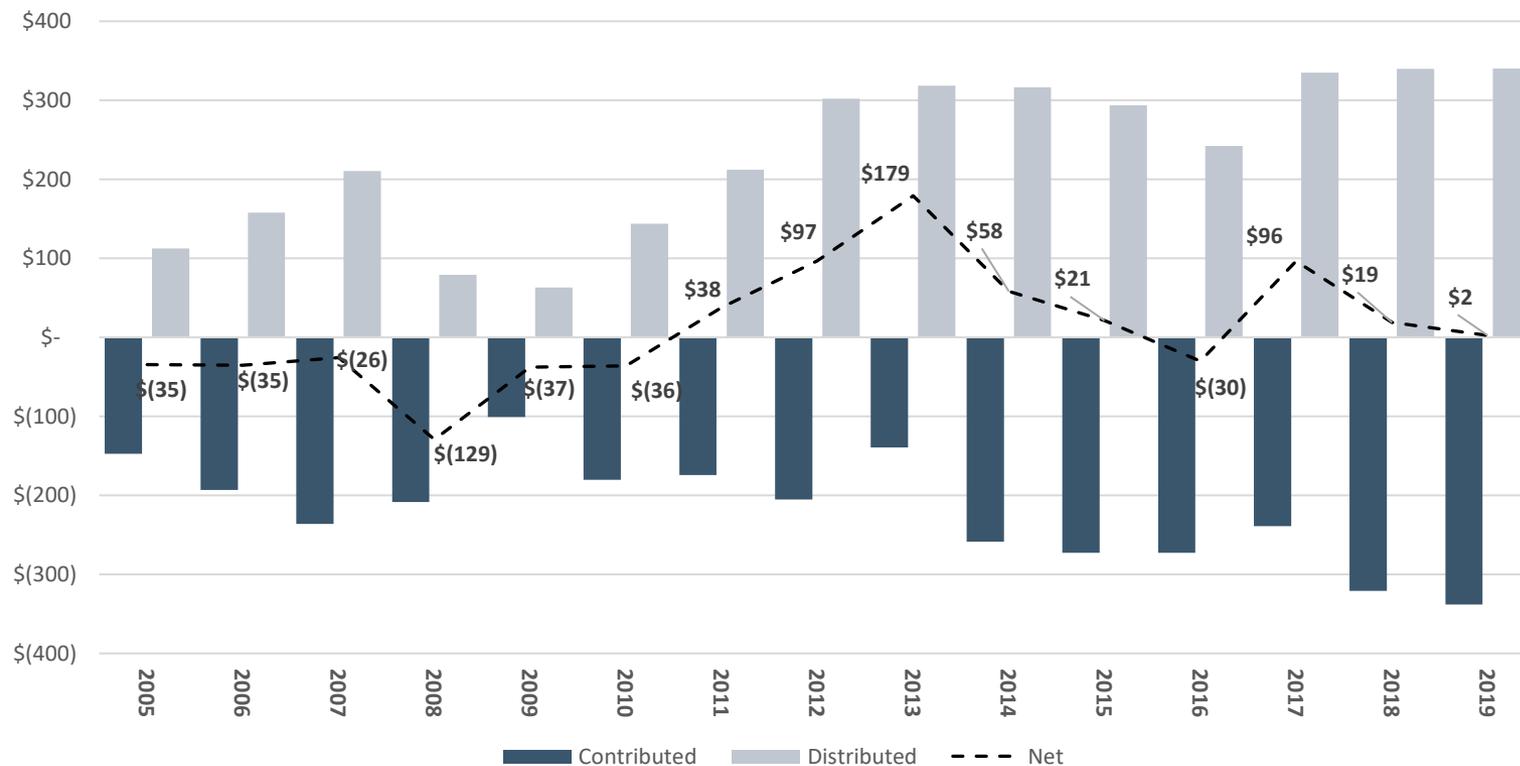
<sup>4</sup> Commitment made in Euros – translates into roughly \$40.0 million based on 7/3/19 Fx rate.

## Commitment Statistics

- ❖ Commitments were made to 16 different Sponsors totaling ~\$568 million in total commitments
  - ❖ 11 commitments were made to existing Sponsor relationships (~\$413 million)
  - ❖ 5 commitments were made to new Sponsor relationships (~\$155 million)
  - ❖ The average commitment amount was ~\$40 million per Sponsor (excluding Emerging Managers)
  
- ❖ ~66% of commitments went to Buyout focused firms; ~29% of commitments went to Venture Capital and Growth Equity focused firms; and the remaining ~5% went to one Distressed focused firm
  - ❖ 'Medium Buyouts' accounted for 41%, 'Large Buyouts' for 23% and 'Small Buyouts' for 2%
  - ❖ 'Growth Equity' accounted for 13% of commitments, 'Multi-Stage VC' for 10%, and 'Early Stage VC' for 6%
  
- ❖ 2 commitments totaling ~\$80 million (USD) were made to Sponsors that exclusively target European businesses; another \$60 million (USD) was committed to a Sponsor targeting ~50% exposure to Europe
  - ❖ Commitments will help to achieve improved geographic diversity in accordance with the strategic plan
  
- ❖ 3 of the 16 Sponsor Commitments were made to Sponsors that qualify as Emerging Managers under LACERS definition

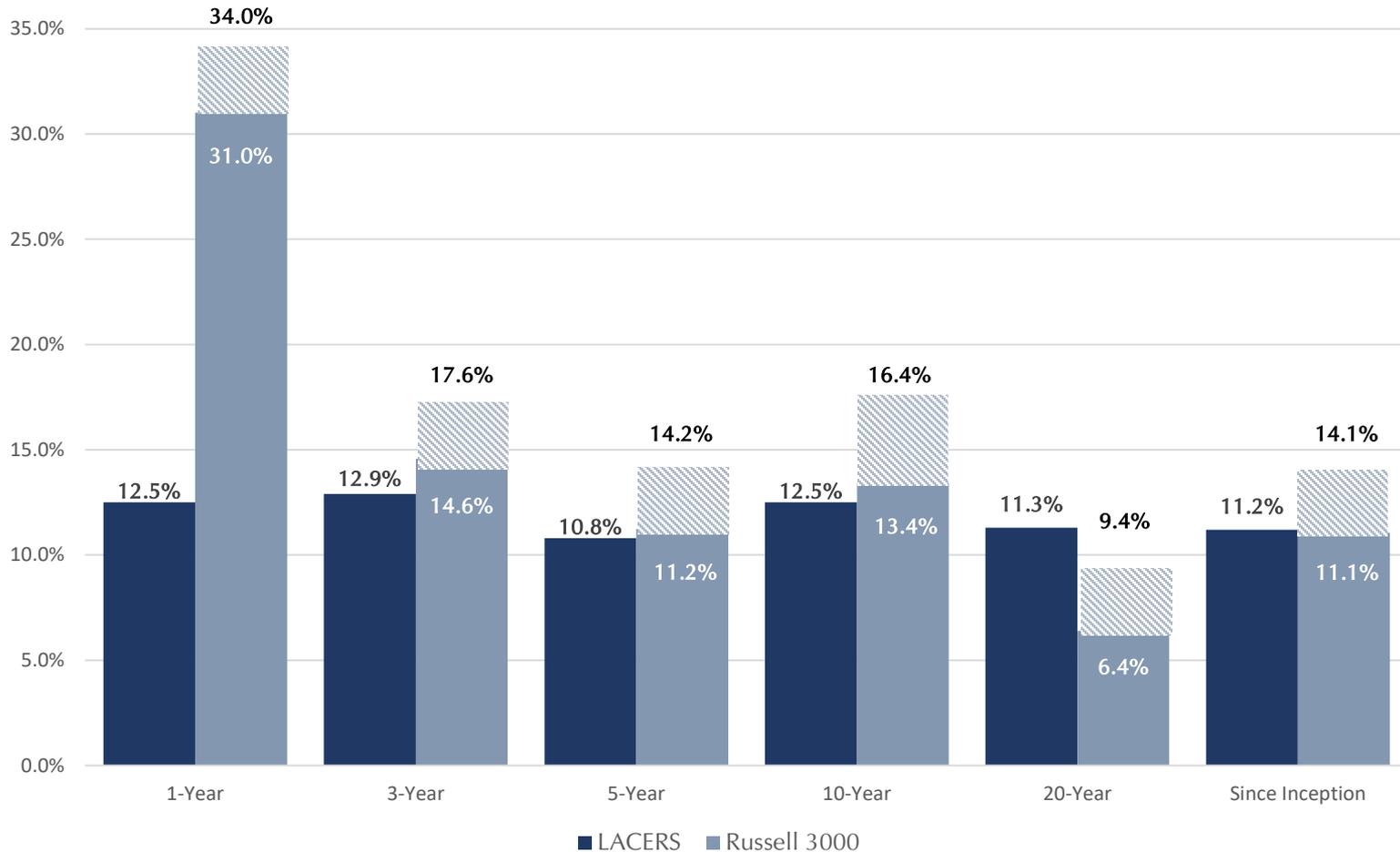
## Private Equity Program Cash Flow Profile Over Time

- ❖ LACERS' private equity portfolio is relatively mature and has been largely cash flow positive over the last decade



## Horizon Returns for LACERS Private Equity Program vs. The Benchmark

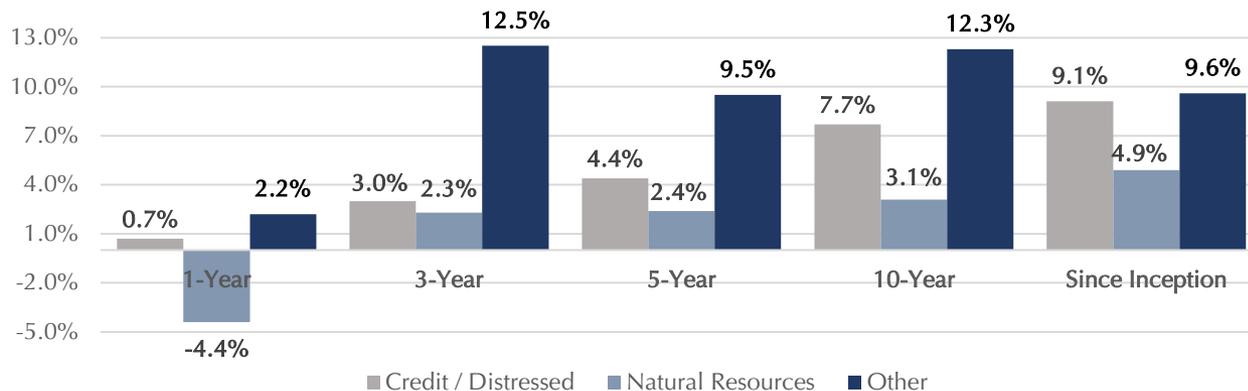
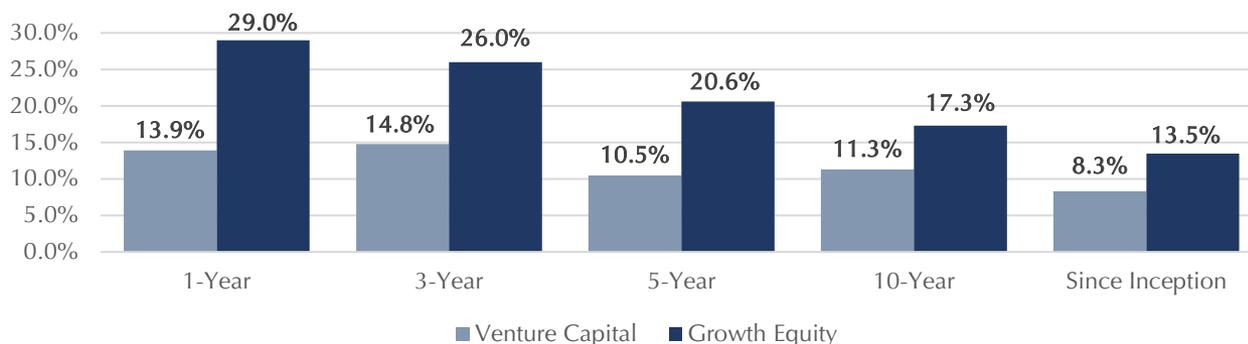
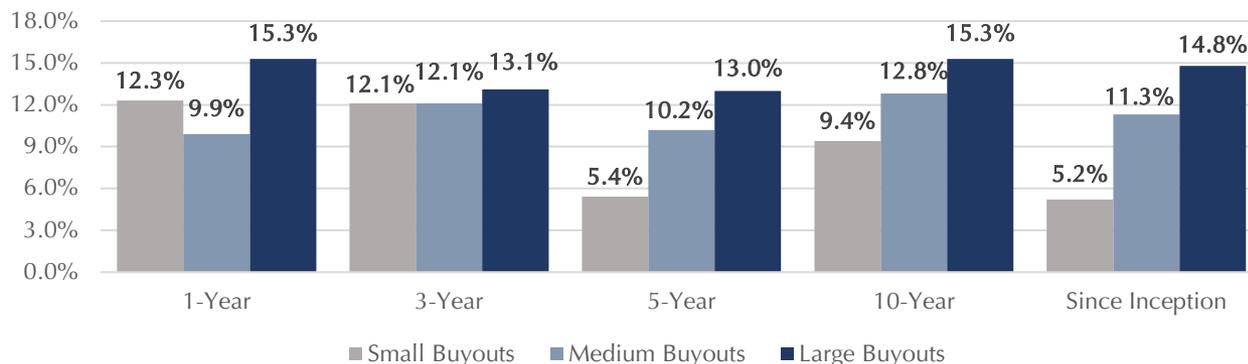
❖ LACERS Benchmark is the Russell 3000 + 300bps



## Performance By Strategy And Sub-Strategy

Sub-Strategy	Commitment	Contributions	Percent Called	Distributions	Percent Distributed	Fair Market Value	TVPI	IRR
Large Buyouts	\$1,312,212,294	\$1,000,322,483	76.23%	\$1,193,442,572	70.41%	\$501,542,047	1.70x	14.8%
Medium Buyouts	\$1,576,976,600	\$1,110,695,798	70.43%	\$1,243,711,189	69.56%	\$544,300,321	1.62x	11.3%
Small Buyouts	\$210,600,561	\$146,774,819	69.69%	\$107,742,370	58.68%	\$75,881,783	1.26x	5.2%
<b>Buyouts Total</b>	<b>\$3,099,789,455</b>	<b>\$2,257,793,100</b>	<b>72.84%</b>	<b>\$2,544,896,132</b>	<b>69.41%</b>	<b>\$1,121,724,150</b>	<b>1.64x</b>	<b>12.2%</b>
Growth Equity	\$398,290,488	\$281,804,640	70.75%	\$179,746,970	35.93%	\$320,502,394	1.79x	13.5%
<b>Growth Equity Total</b>	<b>\$398,290,488</b>	<b>\$281,804,640</b>	<b>70.75%</b>	<b>\$179,746,970</b>	<b>35.93%</b>	<b>\$320,502,394</b>	<b>1.79x</b>	<b>13.5%</b>
Early Stage Venture	\$145,010,000	\$97,485,284	67.23%	\$122,337,126	54.79%	\$100,929,415	2.29x	43.1%
Late Stage Venture	\$135,000,000	\$118,029,778	87.43%	\$61,876,781	42.30%	\$84,403,077	1.24x	4.3%
Multi-Stage Venture	\$343,550,702	\$270,200,655	78.65%	\$211,529,969	58.13%	\$152,349,019	1.35x	5.6%
<b>Venture Total</b>	<b>\$623,560,702</b>	<b>\$485,715,717</b>	<b>77.89%</b>	<b>\$395,743,876</b>	<b>53.96%</b>	<b>\$337,681,510</b>	<b>1.51x</b>	<b>8.3%</b>
Credit	\$80,000,000	\$39,800,394	49.75%	\$12,591,492	26.33%	\$35,234,571	1.23x	8.3%
Distressed	\$474,531,007	\$372,996,329	78.60%	\$373,270,525	78.26%	\$103,683,628	1.32x	9.5%
Mezzanine	\$35,000,000	\$27,086,395	77.39%	\$27,637,969	87.58%	\$3,920,997	1.17x	4.1%
<b>Credit / Distressed Total</b>	<b>\$589,531,007</b>	<b>\$439,883,118</b>	<b>74.62%</b>	<b>\$413,499,986</b>	<b>74.33%</b>	<b>\$142,839,196</b>	<b>1.30x</b>	<b>9.0%</b>
Natural Resources	\$330,000,000	\$280,237,532	84.92%	\$171,054,085	52.01%	\$157,827,222	1.17x	5.1%
<b>Natural Resources Total</b>	<b>\$330,000,000</b>	<b>\$280,237,532</b>	<b>84.92%</b>	<b>\$171,054,085</b>	<b>52.01%</b>	<b>\$157,827,222</b>	<b>1.17x</b>	<b>5.1%</b>
Other - Fund of Funds	\$20,000,000	\$19,179,059	95.90%	\$31,121,480	99.44%	\$176,158	1.63x	7.4%
Other - Secondaries	\$50,000,000	\$40,769,237	81.54%	\$27,585,397	48.31%	\$29,517,326	1.46x	14.5%
<b>Other Total</b>	<b>\$70,000,000</b>	<b>\$59,948,296</b>	<b>85.64%</b>	<b>\$58,706,876</b>	<b>66.41%</b>	<b>\$29,693,484</b>	<b>1.52x</b>	<b>9.6%</b>
<b>Total</b>	<b>\$5,111,171,652</b>	<b>\$3,805,382,404</b>	<b>74.45%</b>	<b>\$3,763,647,924</b>	<b>64.07%</b>	<b>\$2,110,267,957</b>	<b>1.56x</b>	<b>11.2%</b>

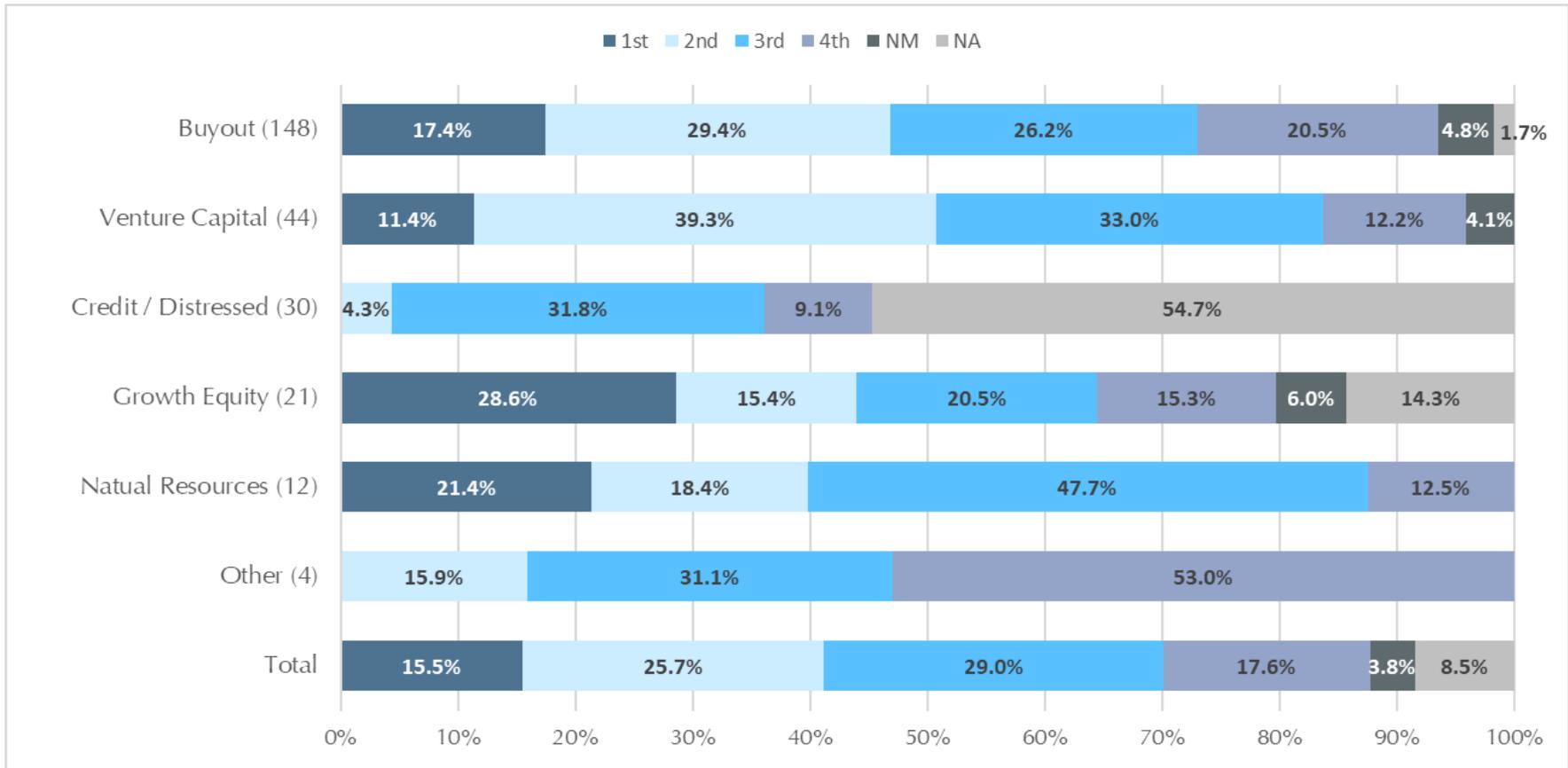
## Horizon Returns by Sub-Strategy



\*The 'Other' category includes LACERS' investments in Secondary Funds and Fund of Funds..

## Portfolio Strategy vs. Cambridge Associates<sup>1</sup>

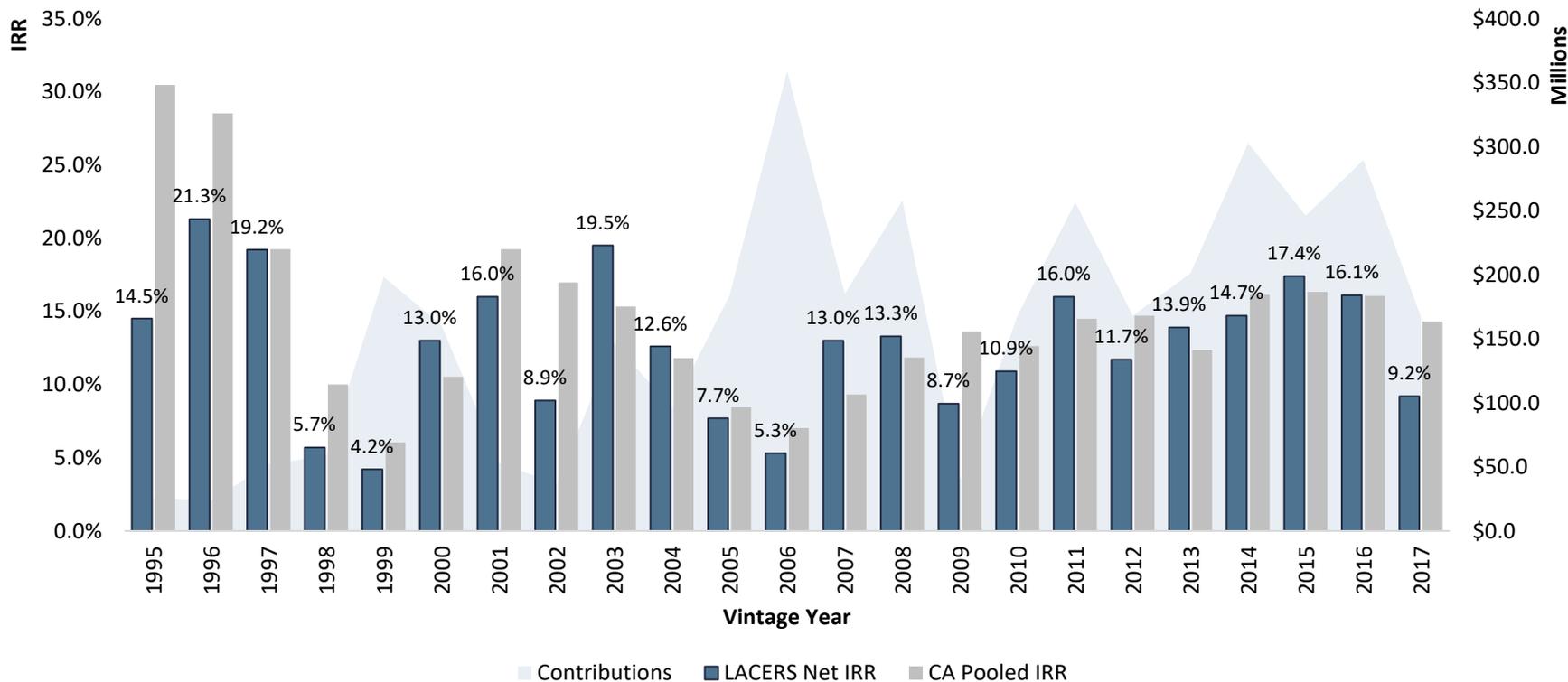
As of % of contributed capital | September 30, 2019



<sup>1</sup>All quartiles are based on Cambridge Associates data as of September 30, 2019. Funds where corresponding benchmark data is not available from Cambridge Associates are categorized as "N/A" and funds where the first capital call date is younger than two years are categorized as "NM". Funds with total commitments equal to zero are excluded from the calculation. Cambridge Associates data is continually updated and subject to change.

## Portfolio Vintage Years vs. Cambridge Associates<sup>1</sup>

September 30, 2019



<sup>1</sup>Cambridge Associates pooled IRRs as of September 30, 2019. Pooled IRRs comprised of similar regions and strategies in the LACERS portfolio. IRRs of funds younger than two years is not considered meaningful and have been excluded.

## Overall Exposure

- ❖ Private Equity exposure was 11.2% as of December 31, 2019
- ❖ Private Equity exposure target is currently 14.0%
- ❖ Even with the deterioration in public markets in Q1, LACERS was still below the 14% target

## Performance Since Inception

- ❖ The Aggregate Portfolio has generated a Net IRR of 11.2% and a TVPI of 1.56x
- ❖ The Core Portfolio has generated a Net IRR of 11.8% and a TVPI of 1.57x
- ❖ The Specialized Portfolio has generated a Net IRR of 2.1% and a TVPI of 1.12x

## Diversification

- ❖ Geographic Diversification: Diversified across geographies with a bias towards North America
- ❖ Sector Diversification: Diversified across sectors, with Information Technology representing the largest exposure
- ❖ Vintage Year Diversification: Well diversified across vintage years

- Appendix – Fund By Fund Returns
  - Active Core Portfolio
  - Liquidated Core Portfolio
  - Active Specialized Portfolio
  - Liquidated Specialized Portfolio

# CORE PORTFOLIO SUMMARY AS OF 12/31/2019 - ACTIVE

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
1315 Capital Fund	Venture Capital	Late Stage	2015	10,000,000	8,610,258	2,226,782	8,739,746	11.6%	Portfolio Advisors
1315 Capital Fund II	Venture Capital	Late Stage	2018	10,000,000	2,433,798	0	2,091,865	-28.9%	Portfolio Advisors
ABRY Advanced Securities Fund III	Credit/Distressed	Credit	2014	20,000,000	15,243,182	5,971,122	13,999,439	9.9%	Portfolio Advisors
ABRY Advanced Securities Fund IV	Credit/Distressed	Credit	2018	40,000,000	6,646,700	0	6,591,537	-1.8%	Portfolio Advisors
ABRY Heritage Partners	Buyout	Small	2016	10,000,000	5,003,610	2,679,792	3,908,137	18.7%	Portfolio Advisors
ABRY Partners IX	Buyout	Medium	2019	40,000,000	8,957,443	0	8,564,848	-13.3%	TorreyCove
ABRY Partners VIII	Buyout	Medium	2014	25,000,000	27,867,627	14,148,220	21,471,732	9.4%	Portfolio Advisors
ABRY Senior Equity V	Credit/Distressed	Mezzanine	2016	10,000,000	3,759,494	994,433	3,438,675	14.1%	Portfolio Advisors
ACON Equity Partners III	Buyout	Medium	2012	20,000,000	18,034,492	19,105,219	4,552,384	6.2%	Hamilton Lane
ACON-Bastion Partners II	Buyout	Medium	2006	5,000,000	4,721,150	8,004,396	208,393	12.3%	Hamilton Lane
Advent Global Technology	Buyout	Medium	2019	15,000,000	0	0	-168,541	0.0%	TorreyCove
Advent International GPE IX	Buyout	Large	2019	45,000,000	5,175,000	0	4,687,046	-39.9%	TorreyCove
Advent International GPE VI A	Buyout	Medium	2008	20,000,000	20,000,000	39,031,910	3,163,198	16.8%	Hamilton Lane
Advent International GPE VII B	Buyout	Large	2012	30,000,000	28,200,000	27,377,262	23,862,229	15.7%	Hamilton Lane
Advent International GPE VIII B-2	Buyout	Large	2016	35,000,000	31,132,500	0	40,284,260	15.0%	Portfolio Advisors
AION Capital Partners	Credit/Distressed	Credit	2012	20,000,000	17,910,512	6,620,370	14,643,595	7.3%	Hamilton Lane
Alchemy Plan (City of Angels)	Buyout	Medium	1999	38,194,245	40,196,637	50,322,714	0	5.7%	Pathway
American Securities Partners VII	Buyout	Medium	2016	25,000,000	19,996,923	2,784,016	16,365,488	-2.2%	Portfolio Advisors
American Securities Partners VIII	Buyout	Large	2019	40,000,000	303,227	0	-431,849	-100.0%	Portfolio Advisors
Angeles Equity Partners I	Credit/Distressed	Distressed	2015	10,000,000	4,957,745	469,777	3,931,232	-8.6%	Portfolio Advisors
Apollo Investment Fund IV	Buyout	Large	1998	5,000,000	4,989,241	8,320,973	5,672	8.5%	Pathway
Apollo Investment Fund VI	Buyout	Large	2006	15,000,000	14,372,999	23,957,457	285,543	8.7%	Hamilton Lane
Apollo Investment Fund VII	Buyout	Large	2008	20,000,000	17,520,434	31,687,043	2,847,219	22.5%	Hamilton Lane
Apollo Investment Fund VIII	Buyout	Large	2013	40,000,000	33,382,601	13,670,039	34,480,886	12.3%	Hamilton Lane
Ascribe Opportunities Fund II	Credit/Distressed	Distressed	2010	20,000,000	30,526,200	30,558,803	4,212,406	4.8%	Hamilton Lane
Ascribe Opportunities Fund III	Credit/Distressed	Distressed	2014	30,000,000	46,390,139	36,147,060	11,081,900	2.0%	Hamilton Lane
Ascribe Opportunities Fund IV	Credit/Distressed	Distressed	2018	25,000,000	0	0	0	0.0%	Portfolio Advisors
Astorg VI	Buyout	Medium	2015	25,625,875	21,228,378	0	28,700,951	18.2%	Portfolio Advisors
Astorg VII	Buyout	Medium	2019	36,123,864	3,757,168	0	3,025,471	-58.0%	TorreyCove
Astra Partners I	Buyout	Small	2017	10,000,000	1,752,091	-28,358	2,014,681	12.7%	Portfolio Advisors
Austin Ventures VII	Venture Capital	Multi-Stage	1999	17,000,000	17,000,000	13,696,505	22,717	-2.8%	Pathway

# CORE PORTFOLIO SUMMARY AS OF 12/31/2019 - ACTIVE

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
Austin Ventures VIII	Venture Capital	Multi-Stage	2001	8,300,000	8,300,000	13,438,900	291,483	6.9%	Pathway
Bain Capital Asia Fund III	Buyout	Large	2016	15,000,000	10,718,222	4,832,724	8,465,949	17.3%	Portfolio Advisors
Bain Capital Double Impact Fund	Buyout	Small	2016	10,000,000	5,246,853	1,262,838	5,840,782	25.0%	Portfolio Advisors
Baring Asia Private Equity Fund VI, L.P. 1	Buyout	Medium	2015	25,000,000	24,101,819	5,230,604	28,185,422	14.6%	Portfolio Advisors
Baring Asia Private Equity Fund VII	Buyout	Medium	2018	25,000,000	6,314,629	1,112,824	5,286,102	2.9%	Portfolio Advisors
BC European Capital IX	Buyout	Large	2011	18,146,966	18,399,671	17,798,037	12,626,772	12.9%	Hamilton Lane
BC European Capital X	Buyout	Large	2017	31,651,237	19,393,660	368,465	22,863,042	14.9%	Portfolio Advisors
BDCM Opportunity Fund IV	Credit/Distressed	Distressed	2015	25,000,000	25,785,886	6,714,254	24,927,797	9.8%	Portfolio Advisors
Blackstone Capital Partners V & V-S	Buyout	Large	2005	19,799,726	19,286,909	31,466,283	735,507	7.8%	Hamilton Lane
Blackstone Capital Partners VI	Buyout	Large	2011	20,000,000	18,917,021	16,034,927	15,078,015	12.1%	Hamilton Lane
Blackstone Energy Partners	Natural Resources	Energy	2011	25,000,000	23,585,833	23,780,263	16,870,645	12.8%	Hamilton Lane
Blue Sea Capital Fund I	Buyout	Small	2013	10,000,000	8,311,730	313,495	12,949,761	15.7%	Portfolio Advisors
Brentwood Associates Private Equity VI	Buyout	Medium	2017	25,000,000	5,963,411	99,693	5,164,007	-18.7%	Portfolio Advisors
Carlyle Partners IV	Buyout	Large	2005	20,000,000	19,633,655	39,379,389	517,411	13.0%	Pathway
Carlyle Partners V	Buyout	Large	2007	30,000,000	26,610,702	46,831,045	4,182,220	13.8%	Hamilton Lane
CenterGate Capital Partners I	Buyout	Small	2015	10,000,000	3,633,887	1,529,345	2,659,589	7.8%	Portfolio Advisors
Charterhouse Capital Partners IX	Buyout	Large	2008	17,893,814	17,432,850	20,030,057	2,406,713	9.1%	Hamilton Lane
Charterhouse Capital Partners VIII	Buyout	Large	2006	19,706,859	19,659,327	18,876,464	4,441	-0.6%	Hamilton Lane
CHP III	Venture Capital	Early Stage	2006	15,000,000	15,000,000	18,371,658	9,710,274	8.5%	Hamilton Lane
CHS Private Equity V	Buyout	Medium	2005	20,000,000	20,145,530	35,206,573	31,974	9.8%	Pathway
Clearlake Capital Partners VI	Credit/Distressed	Distressed	2020	30,000,000	0	0	0	0.0%	TorreyCove
Coller International Partners VI	Other	Secondaries	2011	25,000,000	18,392,640	22,264,380	8,231,339	15.5%	Hamilton Lane
CVC Capital Partners VII	Buyout	Large	2017	28,567,140	13,381,881	113,344	14,241,246	17.8%	Portfolio Advisors
CVC European Equity Partners III	Buyout	Large	2001	15,000,000	14,776,341	41,619,578	982,825	41.0%	Pathway
CVC European Equity Partners IV	Buyout	Large	2005	26,008,211	23,210,339	46,514,557	23,944	16.8%	Hamilton Lane
CVC European Equity Partners V	Buyout	Large	2008	18,815,039	18,352,938	35,443,650	2,385,283	16.6%	Hamilton Lane
Defy Partners I	Venture Capital	Early Stage	2017	10,000,000	5,900,000	0	5,206,178	-10.2%	Portfolio Advisors
Defy Partners II	Venture Capital	Early Stage	2019	18,010,000	900,500	0	744,239	-44.3%	TorreyCove
DFJ Growth 2013	Growth Equity	Growth Equity	2013	25,000,000	24,876,311	10,160,696	42,525,941	18.6%	Portfolio Advisors
DFJ Growth III	Growth Equity	Growth Equity	2017	15,000,000	9,495,000	0	11,257,002	12.4%	Portfolio Advisors
EIG Energy Fund XVI	Natural Resources	Energy	2013	25,000,000	22,884,905	9,919,879	17,516,565	6.8%	Hamilton Lane

# CORE PORTFOLIO SUMMARY AS OF 12/31/2019 - ACTIVE

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
EnCap Energy Capital Fund IX	Natural Resources	Energy	2012	30,000,000	28,509,974	20,263,488	16,511,536	9.1%	Hamilton Lane
EnCap Energy Capital Fund VIII	Natural Resources	Energy	2010	15,000,000	14,344,387	7,642,841	4,061,282	-5.5%	Hamilton Lane
EnCap Energy Capital Fund X	Natural Resources	Energy	2015	35,000,000	29,311,474	4,331,352	31,056,673	8.4%	Portfolio Advisors
EnCap Energy Capital Fund XI	Natural Resources	Energy	2017	40,000,000	11,820,008	0	9,408,024	-24.6%	Portfolio Advisors
Energy Capital Partners II	Natural Resources	Energy	2009	20,000,000	14,934,322	20,349,894	1,409,921	9.6%	Hamilton Lane
Energy Capital Partners III	Natural Resources	Energy	2014	40,000,000	35,864,496	9,262,075	35,403,041	8.0%	Hamilton Lane
Essex Woodlands Health Ventures Fund IV	Venture Capital	Late Stage	1998	4,000,000	4,000,000	5,184,021	729,303	7.6%	Pathway
Essex Woodlands Health Ventures Fund V	Venture Capital	Late Stage	2000	10,000,000	10,000,000	10,591,086	1,746,702	4.2%	Pathway
Essex Woodlands Health Ventures Fund VI	Venture Capital	Multi-Stage	2004	15,000,000	14,587,500	15,696,666	5,788,427	4.3%	Pathway
FIMI Opportunity V	Buyout	Medium	2012	20,000,000	18,194,334	7,394,782	26,308,000	15.2%	Hamilton Lane
First Reserve Fund XI	Natural Resources	Energy	2006	30,000,000	30,000,000	20,667,796	1,229,357	-6.7%	Hamilton Lane
First Reserve Fund XII	Natural Resources	Energy	2008	25,000,000	25,990,474	12,177,108	3,767,354	-10.1%	Hamilton Lane
FS Equity Partners VIII	Buyout	Medium	2019	25,000,000	2,598,323	6,503	2,231,805	-24.4%	TorreyCove
Genstar Capital Partners IX	Buyout	Medium	2019	25,000,000	5,794,151	0	5,947,945	14.7%	TorreyCove
Genstar IX Opportunities Fund I	Buyout	Large	2019	25,000,000	7,473,522	0	7,453,729	-1.1%	TorreyCove
Gilde Buy-Out Fund V	Buyout	Medium	2016	27,121,713	23,239,243	5,195,360	20,697,909	7.0%	Portfolio Advisors
Gilde Buy-Out Fund VI	Buyout	Medium	2019	39,684,790	385,741	0	119,944	-95.5%	TorreyCove
Glendon Opportunities Fund	Credit/Distressed	Distressed	2014	20,000,000	16,990,996	0	20,966,382	5.2%	Portfolio Advisors
Glendon Opportunities Fund II	Credit/Distressed	Distressed	2019	40,000,000	4,000,000	0	4,000,000	0.0%	Portfolio Advisors
Green Equity Investors V	Buyout	Large	2007	20,000,000	18,270,441	38,329,715	7,775,908	19.7%	Hamilton Lane
Green Equity Investors VI	Buyout	Large	2012	20,000,000	18,061,373	11,756,585	22,728,991	16.1%	Hamilton Lane
Green Equity Investors VII	Buyout	Large	2017	25,000,000	17,443,230	223,942	21,023,156	13.4%	Portfolio Advisors
GTCR Fund IX-A	Buyout	Medium	2006	15,000,000	14,288,203	25,758,367	50,418	13.8%	Hamilton Lane
GTCR Fund VIII	Buyout	Medium	2003	20,000,000	18,520,960	32,142,142	187,160	22.3%	Pathway
GTCR Fund XII-AB	Buyout	Medium	2017	40,000,000	12,404,000	720,089	13,043,682	11.7%	Portfolio Advisors
H&F Spock 1	Buyout	Large	2018	0	3,257,917	0	6,420,206	48.2%	Hamilton Lane
Halifax Capital Partners II	Buyout	Small	2005	10,000,000	8,098,600	10,703,687	-4,067	7.3%	Hamilton Lane
Harvest Partners VII	Buyout	Medium	2016	20,000,000	17,445,860	379,083	19,087,842	7.0%	Portfolio Advisors
Harvest Partners VIII	Buyout	Medium	2019	50,000,000	4,866,442	1,501	4,720,776	-26.3%	TorreyCove
Hellman & Friedman Capital Partners IX	Buyout	Large	2019	30,000,000	0	0	-276,063	0.0%	Portfolio Advisors
Hellman & Friedman Capital Partners VI	Buyout	Large	2006	20,000,000	19,344,481	35,185,083	1,021,760	13.0%	Hamilton Lane

# CORE PORTFOLIO SUMMARY AS OF 12/31/2019 - ACTIVE

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
Hellman & Friedman Capital Partners VII	Buyout	Large	2011	20,000,000	19,071,359	25,660,294	30,053,516	25.1%	Hamilton Lane
Hellman & Friedman Capital Partners VIII	Buyout	Large	2016	20,000,000	19,465,516	1,326,691	22,036,720	11.8%	Portfolio Advisors
High Road Capital Partners II	Buyout	Small	2013	25,000,000	19,281,688	9,799,345	19,924,747	14.8%	Hamilton Lane
Hony Capital Fund V	Buyout	Large	2011	25,000,000	25,084,013	477,782	24,399,148	-0.2%	Hamilton Lane
Incline Equity Partners IV	Buyout	Small	2017	10,000,000	5,410,664	17,922	6,535,803	20.8%	Portfolio Advisors
Insight Venture Partners IX	Growth Equity	Growth Equity	2015	25,000,000	24,620,088	4,246,620	51,634,590	29.0%	Portfolio Advisors
Insight Venture Partners VIII	Growth Equity	Growth Equity	2013	20,000,000	19,585,777	25,491,857	20,166,935	18.6%	Hamilton Lane
Institutional Venture Partners XV	Venture Capital	Late Stage	2015	20,000,000	20,000,000	3,870,137	27,262,900	18.6%	Portfolio Advisors
J.H. Whitney VI	Buyout	Medium	2005	15,000,000	14,884,557	14,590,780	0	-0.4%	Hamilton Lane
J.H. Whitney VII	Buyout	Medium	2010	25,000,000	23,747,319	18,640,073	23,589,058	13.1%	Hamilton Lane
Kelso Investment Associates VII	Buyout	Medium	2003	18,000,000	17,131,163	29,092,678	158,338	12.5%	Pathway
Kelso Investment Associates VIII	Buyout	Medium	2007	20,000,000	18,940,649	21,469,528	3,885,463	6.1%	Hamilton Lane
Khosla Ventures IV	Venture Capital	Early Stage	2011	20,000,000	19,620,000	26,583,777	31,247,152	22.2%	Hamilton Lane
KKR 2006 Fund	Buyout	Large	2006	30,000,000	30,294,607	45,532,714	9,463,859	9.3%	Hamilton Lane
KKR European Fund II	Buyout	Large	2005	15,000,000	15,497,844	20,962,595	107,948	4.7%	Hamilton Lane
KPS Special Situations Fund IV	Buyout	Medium	2014	25,000,000	18,613,532	4,949,461	18,000,100	16.8%	Hamilton Lane
KPS Special Situations Fund V	Buyout	Medium	2020	40,000,000	0	0	0	0.0%	TorreyCove
KPS Special Situations Mid-Cap Fund	Buyout	Medium	2019	10,000,000	879,931	0	845,027	-33.7%	TorreyCove
Levine Leichtman Capital Partners III	Buyout	Medium	2003	20,000,000	21,392,254	33,239,814	121,108	10.0%	Hamilton Lane
Levine Leichtman Capital Partners IV	Buyout	Medium	2008	20,000,000	16,448,126	28,893,633	1,851,159	17.9%	Hamilton Lane
Levine Leichtman Capital Partners V	Buyout	Medium	2013	30,000,000	26,107,848	13,624,853	27,883,535	12.7%	Hamilton Lane
Lindsay Goldberg & Bessemer II	Buyout	Large	2006	20,000,000	18,909,974	27,052,664	22,263	7.1%	Hamilton Lane
Lindsay Goldberg III	Buyout	Large	2008	20,000,000	19,176,896	25,955,797	177,053	8.1%	Hamilton Lane
Longitude Venture Partners III	Venture Capital	Late Stage	2016	10,000,000	6,845,631	0	8,687,871	20.0%	Portfolio Advisors
Madison Dearborn Capital Partners IV	Buyout	Medium	2000	25,000,000	25,174,337	47,037,524	875,811	14.1%	Pathway
Menlo Ventures IX	Venture Capital	Multi-Stage	2001	20,000,000	20,000,000	20,254,444	473,924	0.6%	Pathway
Mill Point Capital Partners	Buyout	Small	2017	10,000,000	5,822,101	21,869	6,309,944	8.2%	Portfolio Advisors
Montagu VI	Buyout	Medium	2019	40,000,000	0	0	-53,295	0.0%	TorreyCove
Nautic Partners V	Buyout	Medium	2000	15,000,000	14,426,866	29,627,940	771,752	17.0%	Pathway
New Enterprise Associates 13	Venture Capital	Multi-Stage	2009	15,000,000	14,775,000	18,064,709	10,934,368	13.8%	Hamilton Lane
New Enterprise Associates 15	Venture Capital	Multi-Stage	2015	20,000,000	18,100,000	4,260,628	28,420,120	21.3%	Portfolio Advisors

# CORE PORTFOLIO SUMMARY AS OF 12/31/2019 - ACTIVE

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New Enterprise Associates 16	Venture Capital	Multi-Stage	2017	25,000,000	15,062,500	447,726	17,137,714	12.6%	Portfolio Advisors
New Enterprise Associates 17	Venture Capital	Multi-Stage	2019	35,000,000	4,025,000	0	4,035,952	0.8%	TorreyCove
New Mountain Partners III	Buyout	Large	2007	20,000,000	18,661,525	25,412,053	15,617,947	13.5%	Hamilton Lane
New Water Capital	Buyout	Small	2015	10,000,000	8,318,225	470,349	6,704,780	-8.5%	Portfolio Advisors
NewBridge Asia IV	Buyout	Medium	2005	10,000,000	9,846,880	21,717,152	152,244	16.8%	Hamilton Lane
NGP Natural Resources XI	Natural Resources	Energy	2014	25,000,000	22,991,659	6,107,067	20,592,824	6.2%	Portfolio Advisors
NMS Fund III	Buyout	Small	2017	10,000,000	2,435,993	614,232	1,692,725	-4.7%	Portfolio Advisors
Nordic Capital V	Buyout	Medium	2003	14,043,460	14,308,101	42,446,076	123,089	20.8%	Pathway
Oak HC-FT Partners	Venture Capital	Late Stage	2014	10,000,000	9,314,590	4,549,787	11,482,726	20.3%	Portfolio Advisors
Oak HC-FT Partners II	Venture Capital	Late Stage	2017	10,000,000	6,064,294	0	7,369,446	20.9%	Portfolio Advisors
Oak HC-FT Partners III	Venture Capital	Multi-Stage	2019	25,000,000	1,588,405	0	1,293,511	-85.4%	TorreyCove
Oak Investment Partners XII	Venture Capital	Multi-Stage	2006	15,000,000	14,999,762	11,424,357	2,671,571	-1.0%	Hamilton Lane
Oaktree Opportunities Fund X	Credit/Distressed	Distressed	2015	7,500,000	6,225,000	917,949	7,029,359	10.8%	Portfolio Advisors
Oaktree Opportunities Fund Xb	Credit/Distressed	Distressed	2018	17,500,000	4,375,000	0	4,222,254	-5.4%	Portfolio Advisors
OCM Opportunities Fund V	Credit/Distressed	Distressed	2004	7,100,000	7,100,000	11,699,250	3,385	14.1%	Pathway
OCM Opportunities Fund VII	Credit/Distressed	Distressed	2007	10,000,000	10,000,000	13,433,605	372,985	7.4%	Hamilton Lane
OCM Opportunities Fund VIIb	Credit/Distressed	Distressed	2008	10,000,000	9,000,000	15,407,659	181,428	16.5%	Hamilton Lane
Onex Partners	Buyout	Large	2003	20,000,000	19,048,408	58,437,674	-224,062	38.4%	Pathway
P4G Capital Partners I	Buyout	Small	2018	10,000,000	387,043	0	7,441	-100.0%	TorreyCove
Palladium Equity Partners IV	Buyout	Medium	2012	25,000,000	24,050,383	11,988,437	21,070,730	11.7%	Portfolio Advisors
Palladium Equity Partners V	Buyout	Medium	2017	25,000,000	6,999,873	219,346	5,766,765	-19.8%	Portfolio Advisors
Permira Europe III	Buyout	Large	2003	21,506,160	21,515,354	36,817,449	81,039	26.1%	Pathway
Permira Europe IV	Buyout	Large	2006	14,935,115	14,921,731	22,372,956	1,964,691	8.7%	Hamilton Lane
Pharos Capital Partners II-A	Buyout	Medium	2004	5,000,000	5,000,000	3,192,707	2,497,740	1.9%	Hamilton Lane
Platinum Equity Capital Partners III	Buyout	Large	2011	25,000,000	20,368,102	27,636,653	13,237,269	30.9%	Hamilton Lane
Platinum Equity Capital Partners IV	Buyout	Large	2016	15,000,000	13,024,124	3,752,363	13,357,747	22.5%	Portfolio Advisors
Platinum Equity Capital Partners V	Buyout	Large	2019	50,000,000	214,315	0	160,238	-100.0%	TorreyCove
Platinum Equity Small Cap Fund	Buyout	Medium	2018	22,500,000	3,959,890	142,695	2,387,566	-57.6%	Portfolio Advisors
Polaris Growth Fund	Growth Equity	Growth Equity	2018	10,000,000	1,400,000	0	1,404,779	0.5%	Portfolio Advisors
Polaris Partners VII	Venture Capital	Multi-Stage	2014	25,000,000	23,125,000	2,557,033	31,149,485	12.4%	Portfolio Advisors
Polaris Venture Partners V	Venture Capital	Multi-Stage	2006	15,000,000	14,700,000	15,931,117	9,523,227	8.3%	Hamilton Lane

# CORE PORTFOLIO SUMMARY AS OF 12/31/2019 - ACTIVE

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
Polaris Venture Partners VI	Venture Capital	Multi-Stage	2010	15,000,000	13,125,000	8,569,894	22,195,371	19.0%	Hamilton Lane
Polaris Venture Partners VIII	Venture Capital	Multi-Stage	2016	10,000,000	6,900,000	1,068,730	7,160,822	12.6%	Portfolio Advisors
Providence Debt Fund III	Credit/Distressed	Distressed	2013	30,000,000	28,765,436	19,785,418	17,262,567	7.0%	Hamilton Lane
Providence Equity Partners V	Buyout	Large	2005	18,000,000	16,415,524	20,190,547	250,078	3.2%	Pathway
Providence Equity Partners VI	Buyout	Large	2006	30,000,000	29,000,111	31,574,384	7,423,866	4.9%	Hamilton Lane
Providence TMT Debt Opportunity Fund II	Credit/Distressed	Distressed	2010	20,000,000	16,319,772	25,752,915	149,570	10.5%	Hamilton Lane
Roark Capital Partners II Side Car	Buyout	Medium	2018	10,000,000	6,105,398	0	5,909,887	-3.1%	TorreyCove
Roark Capital Partners V	Buyout	Large	2018	15,000,000	3,290,837	0	4,266,428	30.2%	TorreyCove
Searchlight Capital II	Buyout	Medium	2015	25,000,000	18,469,162	3,065,972	21,568,674	15.3%	Portfolio Advisors
Spark Capital	Venture Capital	Early Stage	2005	9,000,000	8,820,000	11,937,038	468,046	8.3%	Hamilton Lane
Spark Capital Growth Fund	Growth Equity	Growth Equity	2014	10,000,000	10,000,000	0	19,438,666	18.1%	Portfolio Advisors
Spark Capital Growth Fund II	Growth Equity	Growth Equity	2017	15,000,000	11,550,000	0	13,143,103	10.2%	Portfolio Advisors
Spark Capital Growth Fund III	Growth Equity	Growth Equity	2019	26,750,000	0	0	0	0.0%	TorreyCove
Spark Capital II	Venture Capital	Early Stage	2008	9,750,000	9,750,000	35,120,689	6,207,735	51.5%	Hamilton Lane
Spark Capital III	Venture Capital	Early Stage	2011	10,000,000	10,000,000	13,674,666	21,160,907	33.1%	Hamilton Lane
Spark Capital Partners VI	Venture Capital	Early Stage	2019	13,250,000	0	0	0	0.0%	TorreyCove
Spire Capital Partners III	Buyout	Small	2013	10,000,000	9,254,636	6,083,022	7,337,459	13.2%	Portfolio Advisors
SSG Capital Partners II	Credit/Distressed	Distressed	2012	15,914,286	15,092,321	14,910,442	3,445,904	5.3%	Hamilton Lane
StepStone Secondary Opportunities III	Other	Secondaries	2016	25,000,000	22,376,597	5,321,017	21,285,987	11.5%	Portfolio Advisors
Stripes III	Growth Equity	Growth Equity	2015	10,000,000	10,280,222	2,432,910	16,375,643	20.7%	Portfolio Advisors
Stripes IV	Growth Equity	Growth Equity	2017	10,000,000	6,891,224	0	10,021,121	36.6%	Portfolio Advisors
Sunstone Partners I	Growth Equity	Growth Equity	2015	7,500,000	5,608,659	3,734,440	5,344,738	32.6%	Portfolio Advisors
Sunstone Partners II	Growth Equity	Growth Equity	2019	10,000,000	0	0	0	0.0%	TorreyCove
TA X	Growth Equity	Growth Equity	2006	6,000,000	6,186,689	8,022,689	2,472	5.2%	Hamilton Lane
TA XI	Growth Equity	Growth Equity	2010	20,000,000	19,650,000	37,745,855	12,363,176	23.3%	Hamilton Lane
TA XII-A	Growth Equity	Growth Equity	2016	25,000,000	24,228,785	10,290,182	30,684,453	34.8%	Portfolio Advisors
TA XIII-A	Growth Equity	Growth Equity	2019	35,000,000	5,250,000	0	4,973,119	-73.2%	TorreyCove
TCV IX	Growth Equity	Growth Equity	2016	10,000,000	7,559,000	549,489	8,824,203	14.9%	Portfolio Advisors
TCV V	Venture Capital	Multi-Stage	2004	19,500,000	19,334,250	34,013,383	2,205,141	10.7%	Pathway
TCV VII	Growth Equity	Growth Equity	2008	20,000,000	19,680,000	41,384,728	15,619,486	23.0%	Hamilton Lane
TCV VIII	Growth Equity	Growth Equity	2014	30,000,000	25,443,410	3,927,420	41,782,440	15.3%	Hamilton Lane

# CORE PORTFOLIO SUMMARY AS OF 12/31/2019 - ACTIVE

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
TCV X	Growth Equity	Growth Equity	2019	25,000,000	8,245,000	0	7,811,948	-11.1%	Portfolio Advisors
TCW Crescent Mezzanine Partners V	Credit/Distressed	Mezzanine	2007	10,000,000	9,625,012	12,467,522	414,929	9.2%	Hamilton Lane
Thoma Bravo Discover Fund II	Buyout	Medium	2018	10,000,000	5,073,745	0	5,125,725	1.8%	Portfolio Advisors
Thoma Bravo Fund XI	Buyout	Medium	2014	15,000,000	13,458,120	15,424,181	26,502,561	30.2%	Portfolio Advisors
Thoma Bravo Fund XII	Buyout	Large	2016	25,000,000	23,626,678	487,316	34,986,238	19.3%	Portfolio Advisors
Thoma Bravo Fund XIII	Buyout	Large	2018	30,000,000	10,837,926	6,943	11,673,148	10.8%	Portfolio Advisors
Thoma Bravo Special Opportunities Fund II	Buyout	Medium	2015	10,000,000	9,040,274	7,810,579	12,416,439	22.1%	Portfolio Advisors
Threshold Ventures II	Venture Capital	Early Stage	2016	10,000,000	8,225,000	0	13,636,644	30.8%	Portfolio Advisors
TPG Growth II	Buyout	Medium	2011	30,000,000	29,427,082	34,236,043	24,987,219	16.5%	Hamilton Lane
TPG Partners III	Buyout	Large	1999	25,000,000	22,442,286	56,548,095	33,945	24.4%	Pathway
TPG Partners IV	Buyout	Large	2003	25,000,000	27,436,973	52,452,451	695,471	15.3%	Pathway
TPG Partners V	Buyout	Large	2006	30,000,000	31,415,182	41,610,590	1,610,047	5.0%	Hamilton Lane
TPG Partners VI	Buyout	Large	2008	22,500,000	24,340,680	31,967,367	5,192,534	10.2%	Hamilton Lane
TPG STAR	Buyout	Medium	2006	20,000,000	21,635,099	24,896,346	3,569,095	6.8%	Hamilton Lane
Trident Capital Fund-V	Buyout	Medium	2000	14,369,679	14,001,728	23,857,029	365,661	8.6%	Pathway
Trident Capital Fund-VI	Buyout	Medium	2005	8,500,000	8,500,000	7,529,896	5,212,717	4.4%	Pathway
Upfront VI	Venture Capital	Early Stage	2017	20,000,000	9,267,001	0	9,274,276	0.1%	Portfolio Advisors
VantagePoint Venture Partners IV	Venture Capital	Multi-Stage	2000	15,000,000	15,000,000	13,168,259	838,927	-1.0%	Pathway
Vestar Capital Partners IV	Buyout	Medium	1999	17,000,000	16,585,106	29,285,920	138,480	13.5%	Pathway
Vista Equity Partners Fund III	Buyout	Medium	2007	25,000,000	23,216,731	60,172,877	2,350,381	26.8%	Hamilton Lane
Vista Equity Partners Fund IV	Buyout	Medium	2011	30,000,000	25,246,044	34,187,218	19,790,556	16.6%	Hamilton Lane
Vista Equity Partners Fund V	Buyout	Medium	2014	40,000,000	37,461,027	39,022,248	39,723,532	21.8%	Portfolio Advisors
Vista Equity Partners Fund VI	Buyout	Large	2016	30,000,000	32,705,393	7,415,849	38,821,321	17.6%	Portfolio Advisors
Vista Equity Partners Fund VII	Buyout	Large	2018	40,000,000	9,832,374	55,127	9,451,535	-6.0%	Portfolio Advisors
Vista Foundation Fund II	Buyout	Medium	2013	10,000,000	8,783,669	5,809,970	11,035,789	16.7%	Hamilton Lane
Vista Foundation Fund III	Buyout	Medium	2016	10,000,000	8,109,466	0	10,693,576	17.4%	Portfolio Advisors
Wynnchurch Capital Partners IV	Buyout	Medium	2015	10,000,000	7,801,408	1,631,421	8,467,273	16.4%	Portfolio Advisors
Yucaipa American Alliance Fund II	Buyout	Medium	2008	20,000,000	20,160,070	19,070,405	18,217,342	8.8%	Hamilton Lane
<b>Total - Active</b>				<b>4,385,768,179</b>	<b>3,097,907,455</b>	<b>2,797,133,921</b>	<b>2,071,874,315</b>	<b>12.1%</b>	

\* Aksia TorreyCove is still in the process of verifying all of the performance information presented by General Partners; therefore, changes may occur.

# CORE PORTFOLIO SUMMARY AS OF 12/31/2019 - LIQUIDATED

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
Avenue Europe Special Situations Fund II	Credit/Distressed	Distressed	2011	28,323,908	28,305,005	32,200,618	0	3.5%	Hamilton Lane
Avenue Special Situations Fund IV	Credit/Distressed	Distressed	2006	10,000,000	10,000,000	13,828,999	0	8.3%	Hamilton Lane
Avenue Special Situations Fund V	Credit/Distressed	Distressed	2007	10,000,000	9,950,262	13,312,819	0	11.5%	Hamilton Lane
CGW Southeast Partners III	Buyout	Small	1996	8,680,144	8,680,144	14,736,448	0	9.2%	Pathway
CGW Southeast Partners IV	Buyout	Medium	1999	10,000,000	8,707,914	13,398,877	0	8.3%	Pathway
Chisholm Partners IV	Buyout	Small	1999	9,000,000	8,841,055	9,376,669	0	0.7%	Pathway
CVC European Equity Partners	Buyout	Large	1996	10,000,000	9,686,071	24,345,254	0	23.2%	Pathway
CVC European Equity Partners II	Buyout	Large	1998	9,218,055	9,212,371	22,076,376	0	18.9%	Pathway
Enhanced Equity Fund	Buyout	Small	2006	10,000,000	10,000,000	10,776,209	0	1.1%	Hamilton Lane
Enhanced Equity Fund II	Buyout	Small	2010	10,000,000	9,570,165	5,253,831	0	-21.7%	Hamilton Lane
First Reserve Fund X	Natural Resources	Energy	2004	20,000,000	20,000,000	36,552,322	0	31.1%	Pathway
Golder, Thoma, Cressey, Rauner Fund V	Buyout	Medium	1997	10,000,000	10,000,000	18,226,074	0	11.0%	Pathway
GTCR Fund VI	Buyout	Medium	1998	10,000,000	10,000,000	8,890,791	0	-3.8%	Pathway
GTCR Fund VII	Buyout	Medium	2000	18,750,000	18,609,375	43,841,047	0	21.8%	Pathway
GTCR Fund VII-A	Buyout	Medium	2000	6,250,000	4,140,625	11,565,815	0	83.1%	Pathway
Hellman & Friedman Capital Partners V	Buyout	Large	2004	10,463,972	9,931,388	26,659,657	0	27.8%	Pathway
Highbridge Principal Strategies Senior Loan II	Credit/Distressed	Distressed	2010	50,000,000	40,883,273	47,651,965	0	7.9%	Pathway
InterWest VI	Venture Capital	Early Stage	1996	5,000,000	5,000,000	14,858,749	0	49.0%	Pathway
J.H. Whitney IV	Buyout	Medium	1999	22,448,463	22,448,463	9,422,111	0	-10.9%	Pathway
J.H. Whitney V	Buyout	Medium	2000	9,957,358	11,558,159	22,375,756	0	23.3%	Pathway
Kelso Investment Associates VI	Buyout	Medium	1998	4,309,418	4,309,418	5,982,794	0	9.3%	Pathway
KKR 1996 Fund	Buyout	Large	1997	25,000,000	26,194,438	46,838,314	0	13.2%	Pathway
Madison Dearborn Capital Partners III	Buyout	Medium	1999	16,000,000	16,000,000	24,398,778	0	8.6%	Pathway
Menlo Ventures VII	Venture Capital	Multi-Stage	1997	5,000,000	5,000,000	23,552,033	0	135.8%	Pathway
Menlo Ventures VIII	Venture Capital	Multi-Stage	1999	18,000,000	18,000,000	8,980,234	0	-8.9%	Pathway
OCM Opportunities Fund	Credit/Distressed	Distressed	1995	11,000,000	10,972,896	18,030,431	0	10.3%	Pathway
OCM Opportunities Fund II	Credit/Distressed	Distressed	1997	11,000,000	11,000,000	16,628,641	0	8.5%	Pathway
OCM Opportunities Fund III	Credit/Distressed	Distressed	1999	10,000,000	10,000,000	15,072,658	0	11.9%	Pathway
OCM Opportunities Fund IV	Credit/Distressed	Distressed	2001	10,000,000	10,000,000	16,503,319	0	28.4%	Pathway
Olympus Growth Fund IV	Buyout	Medium	2003	7,700,000	7,660,045	11,831,606	0	8.5%	Pathway
Richland Ventures III	Venture Capital	Late Stage	1999	18,000,000	18,000,000	15,261,276	0	-3.0%	Pathway

## CORE PORTFOLIO SUMMARY AS OF 12/31/2019 - LIQUIDATED

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
TCW Crescent Mezzanine Partners IV	Credit/Distressed	Mezzanine	2006	10,000,000	8,712,805	9,998,443	0	2.9%	Hamilton Lane
The Resolute Fund	Buyout	Medium	2002	20,000,000	18,978,049	48,217,383	0	17.0%	Pathway
Thoma Cressey Fund VI	Buyout	Medium	1998	5,000,000	4,845,000	4,995,064	0	0.4%	Pathway
Thomas H. Lee Equity Fund V	Buyout	Medium	2000	15,000,000	15,260,867	26,333,190	0	14.2%	Pathway
Tibbar Holdings, LLC (FKA TH Lee IV)	Buyout	Medium	1998	7,000,000	6,314,197	5,484,109	0	-2.6%	Pathway
Welsh, Carson, Anderson & Stowe IX	Buyout	Medium	2000	15,000,000	14,850,000	24,680,230	0	11.2%	Pathway
Welsh, Carson, Anderson & Stowe VII	Buyout	Medium	1995	15,000,000	15,000,000	32,633,357	0	17.7%	Pathway
Welsh, Carson, Anderson & Stowe VIII	Buyout	Medium	1998	15,000,000	15,000,000	19,322,526	0	3.1%	Pathway
Weston Presidio Capital IV	Growth Equity	Growth Equity	2000	18,040,488	17,537,531	20,886,797	0	3.3%	Pathway
<b>Total - Liquidated</b>				<b>534,141,806</b>	<b>519,159,518</b>	<b>794,981,570</b>	<b>0</b>	<b>10.9%</b>	
<b>Total - Core Portfolio</b>				<b>4,919,909,985</b>	<b>3,617,066,973</b>	<b>3,592,115,490</b>	<b>2,071,874,315</b>	<b>11.7%</b>	

**SPECIALIZED PORTFOLIO SUMMARY AS OF 12/31/2019 - ACTIVE**

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
Angeleno Investors III	Venture Capital	Late Stage	2009	10,000,000	10,427,638	965,398	7,191,007	-4.8%	PCA
DFJ Element	Venture Capital	Multi-Stage	2006	8,000,000	7,846,106	3,349,179	1,877,248	-4.6%	PCA
DFJ Frontier Fund II	Venture Capital	Early Stage	2007	5,000,000	5,002,783	1,790,549	3,273,964	0.2%	PCA
Element Partners Fund II	Venture Capital	Late Stage	2008	10,000,000	9,361,465	8,719,278	4,271,755	5.1%	PCA
NGEN Partners III	Venture Capital	Multi-Stage	2008	10,000,000	10,981,430	2,541,046	6,329,010	-3.4%	PCA
Palladium Equity Partners III	Buyout	Medium	2004	10,000,000	9,899,504	17,278,645	452,464	11.2%	PCA
Rustic Canyon/Fontis Partners	Growth Equity	Growth Equity	2005	5,000,000	3,671,248	1,927,182	796,476	-4.3%	PCA
Saybrook Corporate Opportunity Fund	Credit/Distressed	Distressed	2007	6,192,813	6,190,231	6,746,700	1,896,459	9.0%	PCA
St. Cloud Capital Partners II	Credit/Distressed	Mezzanine	2007	5,000,000	4,989,085	4,177,572	67,392	-3.8%	PCA
StarVest Partners II	Venture Capital	Late Stage	2007	5,000,000	4,965,849	2,151,491	2,491,766	-0.9%	PCA
StepStone Pioneer Capital II	Other	Fund of Funds	2006	10,000,000	9,427,148	18,088,121	176,158	9.1%	PCA
Sterling Venture Partners II	Venture Capital	Late Stage	2005	8,000,000	8,006,256	8,357,525	2,337,990	4.2%	PCA
Vicente Capital Partners Growth Equity Fund	Growth Equity	Growth Equity	2007	10,000,000	10,093,708	7,878,485	6,332,103	5.9%	PCA
Yucaipa American Alliance Fund I	Buyout	Medium	2002	10,000,000	10,000,000	12,451,100	899,850	4.7%	PCA
<b>Total - Active</b>				<b>112,192,813</b>	<b>110,862,450</b>	<b>96,422,269</b>	<b>38,393,642</b>	<b>3.3%</b>	

\* Aksia TorreyCove is still in the process of verifying all of the performance information presented by General Partners; therefore, changes may occur.

**SPECIALIZED PORTFOLIO SUMMARY AS OF 12/31/2019 - LIQUIDATED**

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
Ares Special Situations Fund	Credit/Distressed	Distressed	2008	10,000,000	10,166,166	17,497,244	0	13.1%	PCA
Carpenter Community BancFund-A	Buyout	Small	2008	10,000,000	9,692,231	16,376,097	0	8.2%	PCA
Craton Equity Investors I	Growth Equity	Growth Equity	2006	10,000,000	9,951,989	1,067,621	0	-32.7%	PCA
NGEN Partners II	Venture Capital	Multi-Stage	2005	7,750,702	7,750,702	515,126	0	-49.0%	PCA
Nogales Investors Fund II	Buyout	Medium	2006	4,100,000	3,603,436	398,586	0	-24.1%	PCA
Reliant Equity Partners	Buyout	Small	2002	7,920,417	8,008,449	55,772	0	-100.0%	PCA
Sector Performance Fund	Buyout	Medium	2007	9,297,735	9,502,443	8,466,553	0	-2.9%	PCA
Spire Capital Partners II	Buyout	Small	2007	10,000,000	9,025,654	17,699,807	0	15.6%	PCA
StepStone Pioneer Capital I	Other	Fund of Funds	2004	10,000,000	9,751,911	13,033,359	0	5.1%	PCA
<b>Total - Liquidated</b>				<b>79,068,854</b>	<b>77,452,981</b>	<b>75,110,165</b>	<b>0</b>	<b>-0.6%</b>	
<b>Total - Specialized Portfolio</b>				<b>191,261,667</b>	<b>188,315,431</b>	<b>171,532,434</b>	<b>38,393,642</b>	<b>1.8%</b>	





**REPORT TO BOARD OF ADMINISTRATION**

**From: Neil M. Guglielmo, General Manager**

**MEETING: MAY 26, 2020**

**ITEM: VIII – E**

*Neil M. Guglielmo*

**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$40 MILLION IN MBK PARTNERS FUND V, L.P.**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board receive and file this notice of the commitment of up to \$40 million in MBK Partners Fund V, L.P.

**Executive Summary**

MBK Partners Fund V, L.P. will focus on control-oriented investments in domestic consumption focused businesses within the telecom/media, consumer/retail, and financial services industries in South Korea, China and Japan.

**Discussion**

*Consultant Recommendation*

Aksia TorreyCove Partners LLC (Aksia TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to \$40 million in MBK Partners Fund V, L.P. (the Fund), a buyout strategy managed by MBK Partners (the GP or MBK). Fund management and incentive fees are comparable to similar strategies. The GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2020 Strategic Plan adopted by the Board on December 10, 2019.

*Background*

MBK was established in 2005 when Michael Kim led a spin-out of the Carlyle Group's Asian investment team, Carlyle Asia Partners. The 12 partners who lead the firm include Mr. Kim and three others who were part of the original spin-out from Carlyle. The firm has \$22 billion in capital under management, 67 investment professionals, and offices in Seoul (headquarters), Beijing, Hong Kong, Shanghai, and Tokyo. MBK is a new general partner relationship for LACERS.

### *Investment Thesis*

MBK will target control-oriented investments in domestic consumption focused businesses within the telecom/media, consumer/retail, and financial services industries in South Korea, China, and Japan. This approach is consistent with the firm's previous funds. The GP transacts in management-led buyouts, corporate divestitures, public to private transactions, and add-on acquisitions. Exit strategies include initial public offerings and sales to financial institutions or strategic partners, such as other private equity firms or large enterprise firms.

### *Placement Agent*

The GP does not outsource its fundraising and does not use placement agents for its U.S. investors.

### *Staff Recommendation*

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

### **Strategic Plan Impact Statement**

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

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

RJ/BF/WL/CH:jp

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

MBK Partners Fund V, L.P.  
Investment Notification



[www.aksia.com](http://www.aksia.com)

## MBK Partners Fund V, L.P.

General Partner	• MBK Partners (the “Firm,” or “MBK”)
Fund	• MBK Partners Fund V, L.P.(the “Fund”)
Firm Founded	• 2005
Strategy	• Buyouts
Sub-Strategy	• Large Buyouts
Geography	• South Korea, Japan, and Greater China
Team	• 12 Partners supported by a team of almost 50 investment professionals
Senior Partners	• Michael Kim, Teck Chien Kong, James Yoon, and Jay Bu
Office Locations	• Seoul (S. Korea), Hong Kong (Hong Kong), Beijing (China), Shanghai (China), Tokyo (Japan)
Industries	• Telecom / Media, Financial Services, Consumer/Retail
Target Fund Size	• \$5.0 billion
Recommendation	• Up to \$40.0 million

## Investment Highlights

- MBK has a cohesive and experienced team with 12 partners who have worked together for an average of 11.4 years, while the three Founding Partners still with the business have worked together for an average of 20 years
- The Firm’s long-standing focus on control transactions represents significant experience in a region characterized by growth equity
- Strong, relatively consistent returns over time in a region that has challenged other firms focused on control transactions
- MBK has offices and dedicated teams in each of its targeted regions that includes a team of senior, mid-level, and junior investment professionals that provide the necessary bandwidth for each region

## MBK Partners Fund V, L.P.

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### Firm and Background

- MBK was created in 2005 when Michael Kim led a spin-out of the Carlyle Group's Asian investment team.
- The Firm's five Founding Partners included: (i) Michael Kim (Head of Carlyle Asia); (ii) Jay Bu (Head of Carlyle Asia's Media / Telecom team); (iii) James Yoon (Co-Head of Carlyle's Seoul office); (iv) Kensuke Shizunaga (Head of Carlyle Japan); and (v) Kuo-Chuan Kung (Head of Carlyle's Shanghai office). Kensuke Shizunaga and Kuo-Chuan Kung have since departed the Firm.
- The Firm's original office was located in Seoul, which remains the headquarters of the Firm today. That said, MBK has grown to include four additional offices throughout the region.
- Since its founding, MBK has raised four North Asia-focused funds focused on control-oriented deals in Korea, Japan, and China. The last fund, Fund IV, raised \$4.1 billion. MBK also raised its first special situations fund in 2019.

### Investment Strategy

- Fund V will target control investments and most deals will take the form of management-led buyouts, corporate divestitures, and public-to-private transactions.
- The Fund expects to complete 10 to 12 buyout investments in companies whose enterprise values range from \$500.0 million to \$1.5 billion. Equity checks are expected to be between \$400 million and \$550 million.
- Fund V will continue the Firm's historical focus on Telecom/Media, Consumer/Retail, and the Financial Services sectors.
- Fund V will also continue the strategy pursuing investment opportunities in North Asia, specifically in South Korea, China, and Japan. Within Korea, MBK prefers to invest in larger buyout deals while deals in China and Japan tend to be at the lower end of the market or at lower levels of ownership.

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

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

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

**PRIVATE EQUITY INVESTMENT POLICY**

**Discretion in a Box (Roles and Responsibilities)**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Strategy/Policy</b>	<ul style="list-style-type: none"> <li>Select Private Equity Consultant.</li> <li>Approve asset class funding level.</li> <li>Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.</li> </ul>	<ul style="list-style-type: none"> <li>With Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>With staff and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>
<b>Investment Selection</b>	<ul style="list-style-type: none"> <li>Review investment analysis reports.</li> <li>Review and approve investments in new management groups of amounts greater than \$50 million prior to investment.</li> <li>Review and approve investments in follow-on partnerships of amounts greater than \$100 million prior to investment.</li> </ul>	<ul style="list-style-type: none"> <li>Refer investments and forward to Private Equity Consultant for preliminary screening.</li> <li>Conduct meetings with potential new investments prior to recommending to the Board, if practical.</li> <li>In conjunction with Private Equity Consultant, invest up to \$50 million for new partnerships, and up to \$100 million for follow-on funds without Board approval. If staff opposes, refer to Board for decision.</li> <li>In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over \$50 million in new partnerships, or over \$100 million in follow-on funds.</li> <li>Execute agreements.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct extensive analysis and due diligence on investments.</li> <li>Recommend for Board approval investments over \$50 million for new managers, or over \$100 million in follow-on funds.</li> <li>With staff concurrence, approve investment of up to \$50 million for new partnerships, and up to \$100 million in follow-on funds.</li> <li>Provide investment analysis report for each new investment and sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>Communicate with staff regarding potential opportunities undergoing extensive analysis and due diligence.</li> <li>Coordinate meetings between staff, Board, and general partner upon request.</li> <li>Negotiate legal documents.</li> </ul>
<b>Investment Monitoring</b>	<ul style="list-style-type: none"> <li>Review quarterly, annual, and other periodic monitoring reports.</li> <li>Approve sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s)</li> </ul>	<ul style="list-style-type: none"> <li>Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.</li> <li>Conduct meetings with existing managers periodically.</li> <li>Attend annual partnership meetings when appropriate.</li> <li>Fund capital calls and distributions.</li> <li>Review Private Equity Consultant's recommendations on amendments and consents.</li> <li>Execute amendments to agreements and consents.</li> <li>Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.</li> <li>Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> </ul>	<ul style="list-style-type: none"> <li>Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.</li> <li>Recommend amendments and consents to staff for approval.</li> <li>Provide quarterly, annual, and other periodic monitoring reports.</li> </ul>



**REPORT TO BOARD OF ADMINISTRATION**

**From: Neil M. Guglielmo, General Manager**

**MEETING: MAY 26, 2020**

**ITEM: VIII – F**

*Neil M. Guglielmo*

**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$30 MILLION IN VISTA FOUNDATION FUND IV, L.P.**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board receive and file this notice of the commitment of up to \$30 million in Vista Foundation Fund IV, L.P.

**Executive Summary**

Vista Foundation Fund IV, L.P. will pursue control-oriented investments in middle-market enterprise software, data analytics, and technology-enabled solutions companies based in North America.

**Discussion**

*Consultant Recommendation*

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

*Background*

Vista Equity Partners was established in 2000 by Robert Smith and Brian Sheth. The firm is led by Mr. Smith, who serves as Chairman and CEO, and Mr. Sheth, who serves as President. The firm has more than \$57 billion in cumulative capital commitments and over 500 employees across five offices in Austin (headquarters), Chicago, New York City, Oakland and San Francisco.

Vista is an existing general partner relationship for LACERS. LACERS previously committed a total of \$185 million to the following Vista-sponsored funds:

<b>Fund</b>	<b>Vintage Year</b>	<b>Commitment Amount</b>	<b>Net IRR<sup>1,2</sup></b>
Vista Equity Partners Fund III, L.P.	2007	\$25 million	26.8%
Vista Equity Partners Fund IV, L.P.	2011	\$30 million	16.6%
Vista Equity Partners Fund V, L.P.	2014	\$40 million	21.8%
Vista Equity Partners Fund VI, L.P.	2016	\$30 million	17.6%
Vista Equity Partners Fund VII, L.P.	2018	\$40 million	-6.0%
Vista Foundation Fund II, L.P.	2013	\$10 million	16.7%
Vista Foundation Fund III, L.P.	2016	\$10 million	17.4%

### *Investment Thesis*

The Fund will employ the same strategy and approach as its predecessors, pursuing control-oriented investments in middle-market enterprise software, data analytics, and technology-enabled solutions companies based in North America, with a focus on businesses that offer mission critical products and services to well-defined end-markets. The Foundation funds focus on the middle-market segment, whereas the flagship funds focus on the middle-market and upper middle-market segments. Exit strategies include initial public offerings and sales to strategic partners, such as other private equity firms or large enterprise firms.

### *Placement Agent*

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

### *Staff Recommendation*

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

### **Strategic Plan Impact Statement**

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

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

RJ/BF/WL/CH:jp

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

<sup>1</sup>Performance as of December 31, 2019

<sup>2</sup>Performance data (1) does not necessarily accurately reflect the current or expected future performance of the Fund(s) or the fair value of LACERS' interest in the Fund(s), (2) should not be used to compare returns among multiple private equity

*funds, and (3) has not been calculated, reviewed, verified or in any way sanctioned or approved by the general partner(s) or manager(s).*

Vista Foundation Fund IV, L.P.  
Investment Notification



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## Vista Foundation Fund IV, L.P.

General Partner	• Vista Equity Partners Management, LLC (“Vista” or the “Firm”)
Fund	• Vista Foundation Fund IV, L.P. (the “Fund”)
Firm Founded	• 2000
Strategy	• Buyouts
Sub-Strategy	• Medium Corporate Finance
Geography	• Primarily North America
Team	• 11 dedicated to Foundation, ~50 shared junior professionals, and 135 operating professionals
Senior Partners	• Robert Smith & Brian Sheth (Co-Founders); Rob Rogers & Marc Teillon (Foundation Co-Heads)
Office Locations	• Austin, Chicago, New York, San Francisco, Oakland
Industries	• Enterprise software, data analytics, and technology-enabled solutions
Target Fund Size	• \$3.25 billion
Recommendation	• Up to \$30.0 million

## Investment Highlights

- Long-standing focus on enterprise software and strong track record has curated a positive reputation for the Firm its targeted industries, which should act as a competitive advantage.
- Multiple fund platforms based on deal size enable the Vista to fully canvas the North American software and services markets.
- Large and specialized group of in-house operating professionals focused on implementing the Firm’s best practices playbook.
- Strong early realized performance of the Foundation platform and its maiden fund.

# Vista Foundation Fund IV, L.P.

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## Firm and Background

- Vista was founded by Robert Smith, Stephen Davis, and Brian Sheth in 2000. Shortly after inception, the Firm began to focus exclusively on investing in enterprise software businesses.
- Vista has significantly scaled since inception and currently maintains multiple fund platforms including its Flagship (large buyouts), Foundation (mid-market buyouts), Endeavour (lower mid-market buyouts), and Perennial (long-dated) private equity funds, along with a public market and credit fund offering.
- The Foundation platform was formed in 2009 and is led by Co-Heads Rob Rogers and Teillon who are supported by 11 dedicated investment professionals that include one Principal, three Operating Principals, two Senior Vice Presidents, four Vice Presidents, and one Senior Associate.
- The Foundation team is further supported by a shared pool of roughly 50 Associates and Analysts, along with a team of over 135 operating professionals known as the Vista Consulting Group.

## Investment Strategy

- The Foundation platform will primarily target controlling buyouts of middle market enterprise software, data analytics, and technology-enabled solutions companies based in North America.
- Targeted businesses will maintain mission-critical offerings, diversified customer bases, high levels of recurring revenues, and defensible market positions, which provides protection in a downturn.
- The Fund will be comprised of 12 to 15 companies with enterprise values between €200.0 million and €750.0 million and equity requirements between €100.0 million and €300.0 million.
- Transactions will take the form of leveraged buyouts, take-privates, growth buyouts, and corporate carve-outs.
- Value is driven primarily through revenue growth via bolt-on acquisitions, as well as margin improvement.

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**PRIVATE EQUITY INVESTMENT POLICY**

**Discretion in a Box (Roles and Responsibilities)**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Strategy/Policy</b>	<ul style="list-style-type: none"> <li>Select Private Equity Consultant.</li> <li>Approve asset class funding level.</li> <li>Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.</li> </ul>	<ul style="list-style-type: none"> <li>With Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>With staff and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>
<b>Investment Selection</b>	<ul style="list-style-type: none"> <li>Review investment analysis reports.</li> <li>Review and approve investments in new management groups of amounts greater than \$50 million prior to investment.</li> <li>Review and approve investments in follow-on partnerships of amounts greater than \$100 million prior to investment.</li> </ul>	<ul style="list-style-type: none"> <li>Refer investments and forward to Private Equity Consultant for preliminary screening.</li> <li>Conduct meetings with potential new investments prior to recommending to the Board, if practical.</li> <li>In conjunction with Private Equity Consultant, invest up to \$50 million for new partnerships, and up to \$100 million for follow-on funds without Board approval. If staff opposes, refer to Board for decision.</li> <li>In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over \$50 million in new partnerships, or over \$100 million in follow-on funds.</li> <li>Execute agreements.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct extensive analysis and due diligence on investments.</li> <li>Recommend for Board approval investments over \$50 million for new managers, or over \$100 million in follow-on funds.</li> <li>With staff concurrence, approve investment of up to \$50 million for new partnerships, and up to \$100 million in follow-on funds.</li> <li>Provide investment analysis report for each new investment and sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>Communicate with staff regarding potential opportunities undergoing extensive analysis and due diligence.</li> <li>Coordinate meetings between staff, Board, and general partner upon request.</li> <li>Negotiate legal documents.</li> </ul>
<b>Investment Monitoring</b>	<ul style="list-style-type: none"> <li>Review quarterly, annual, and other periodic monitoring reports.</li> <li>Approve sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s)</li> </ul>	<ul style="list-style-type: none"> <li>Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.</li> <li>Conduct meetings with existing managers periodically.</li> <li>Attend annual partnership meetings when appropriate.</li> <li>Fund capital calls and distributions.</li> <li>Review Private Equity Consultant's recommendations on amendments and consents.</li> <li>Execute amendments to agreements and consents.</li> <li>Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.</li> <li>Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> </ul>	<ul style="list-style-type: none"> <li>Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.</li> <li>Recommend amendments and consents to staff for approval.</li> <li>Provide quarterly, annual, and other periodic monitoring reports.</li> </ul>



**REPORT TO BOARD OF ADMINISTRATION**

From: Neil Guglielmo, General Manager

**MEETING: MAY 26, 2020**

**ITEM: VIII – G**

*Neil M. Guglielmo*

**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO €17.5 MILLION (APPROXIMATELY \$19.0 MILLION) IN HG GENESIS 9 A L.P.**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board receive and file this notice of the commitment of up to €17.5 million (approximately \$19.0 million) in Hg Genesis 9 A L.P.

**Executive Summary**

Hg Genesis 9 A L.P. will focus on making middle-market control investments in software and technology-enabled services primarily in northern Europe.

**Discussion**

*Consultant Recommendation*

Aksia TorreyCove Partners LLC (Aksia TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to €17.5 million in Hg Genesis 9 A L.P. (the Fund), a buyout strategy managed by Hg Pooled Management Limited (the Firm or Hg). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2020 Strategic Plan adopted by the Board on December 10, 2019.

*Background*

Hg is led by its three senior managing partners, Nic Humphries, Justin von Simson, and Matthew Brockman. Prior to joining Hg, Mr. Humphries was at Barclays Private Equity, Mr. von Simpson was at Goldman Sachs, and Mr. Brockman was at Apax Partners. The Firm has £10 billion in funds under management, 80 professionals, and offices located in London (headquarters), Munich, and New York. Hg is a new general partner relationship for LACERS.

### *Investment Thesis*

The Fund will target middle-market software and technology-enabled service companies domiciled primarily in northern Europe with enterprise values of between €500 million and €1.5 billion. The Firm has focused on this strategy since 2009, after the promotion of Mr. Humphries to Chief Executive Officer from his prior role as head of technology. Targeted companies provide mission critical software or services using a subscription or repeat revenue model, operating with low customer concentrations and demonstrating a clear expertise or possessing intellectual property. Transactions typically will take the form of leveraged buyouts, division carve-outs, and take-privates. The transactions sizes are typically between €200 million and €600 million. Hg focuses on value creation through organic revenue growth, typically by augmenting a company's sales force, adding product lines, updating pricing strategies, and upselling customers. Hg also focuses on improving operations by optimizing an organization's processes and implementing new key performance indicators. Exit strategies include initial public offerings and sales to financial institutions or strategic partners, such as other private equity firms or large enterprise firms.

### *Placement Agent*

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

### *Staff Recommendation*

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

### **Strategic Plan Impact Statement**

Investment in Hg Genesis 9 A L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2020 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

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

RJ/BF/WL/RK:jp

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

Hg Genesis 9 A, L.P.  
Investment Notification



[www.aksia.com](http://www.aksia.com)

## Hg Genesis 9 A, L.P.

General Partner	• Hg Pooled Management Limited (the “Firm,” “Hg,” or “HgCapital”)
Fund	• Hg Genesis 9 A, L.P. (the “Fund” or “Genesis 9”)
Firm Founded	• 2000
Strategy	• Buyouts
Sub-Strategy	• Medium Buyouts
Geography	• Primarily Northern Europe
Team	• 43 investment professionals and 30 operating professionals
Senior Partners	• Nic Humphries (Senior Partner), Justin von Simson, Matthew Brockman (Managing Partners)
Office Locations	• London, Munich, New York
Industries	• Software and technology-enabled services
Target Fund Size	• €3.0 billion
Recommendation	• Up to €17.5 million

## Investment Highlights

- Hg has a reputation as one of the first European private equity firms dedicated to investing in software and technology-enabled service businesses
- Large and cohesive senior team that has worked together through multiple economic cycles
- Focus on providing mission critical software and services provides some level of downside protection in turbulent economic times
- Multiple platforms based on deal size enable the Firm to fully canvas the European software market
- Strong realized performance in software and technology-services investments with minimal losses

## Hg Genesis 9 A, L.P.

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### Firm and Background

- HgCapital began as the private equity arm of Mercury Asset Management in the 1990s and spun-out in 2000. The Firm pursued a generalist strategy until Nic Humphries (TMT sector lead) was promoted to CEO in 2009 and narrowed the investment scope to software and technology-enable services companies.
- Today, the broader Hg team is still led by Nic Humphries who is supported two Managing Partners that have an average tenure of 15.7 years at the Firm.
- The Firm maintains three fund platforms that target controlling buyouts of small (Mercury), medium (Genesis), and large (Saturn) software and services companies in the European middle market.
- Hg's Genesis platform is led by all three Senior Partners who are supported by a large, dedicated investment team comprised of eight Partners, five Directors, five Principals, seven Senior Associates, eight Associates, and seven Analysts.

### Investment Strategy

- The Genesis platform will target controlling buyouts of middle market software and technology-enabled services companies domiciled in Northern Europe, particularly the U.K., the DACH region, the Nordic region, and the Benelux region.
- The portfolio will be comprised of 10 to 15 Northern European middle market companies with enterprise values between €500 million and €1.5 billion.
- Initial equity checks will generally range between €200 million and €600 million, and the General Partner anticipates the average equity investment will be €350 million.
- Transactions will typically take of the form of leveraged buyouts, carve-outs, and take-privates.

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**PRIVATE EQUITY INVESTMENT POLICY**

**Discretion in a Box (Roles and Responsibilities)**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Strategy/Policy</b>	<ul style="list-style-type: none"> <li>Select Private Equity Consultant.</li> <li>Approve asset class funding level.</li> <li>Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.</li> </ul>	<ul style="list-style-type: none"> <li>With Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>With staff and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>
<b>Investment Selection</b>	<ul style="list-style-type: none"> <li>Review investment analysis reports.</li> <li>Review and approve investments in new management groups of amounts greater than \$50 million prior to investment.</li> <li>Review and approve investments in follow-on partnerships of amounts greater than \$100 million prior to investment.</li> </ul>	<ul style="list-style-type: none"> <li>Refer investments and forward to Private Equity Consultant for preliminary screening.</li> <li>Conduct meetings with potential new investments prior to recommending to the Board, if practical.</li> <li>In conjunction with Private Equity Consultant, invest up to \$50 million for new partnerships, and up to \$100 million for follow-on funds without Board approval. If staff opposes, refer to Board for decision.</li> <li>In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over \$50 million in new partnerships, or over \$100 million in follow-on funds.</li> <li>Execute agreements.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct extensive analysis and due diligence on investments.</li> <li>Recommend for Board approval investments over \$50 million for new managers, or over \$100 million in follow-on funds.</li> <li>With staff concurrence, approve investment of up to \$50 million for new partnerships, and up to \$100 million in follow-on funds.</li> <li>Provide investment analysis report for each new investment and sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>Communicate with staff regarding potential opportunities undergoing extensive analysis and due diligence.</li> <li>Coordinate meetings between staff, Board, and general partner upon request.</li> <li>Negotiate legal documents.</li> </ul>
<b>Investment Monitoring</b>	<ul style="list-style-type: none"> <li>Review quarterly, annual, and other periodic monitoring reports.</li> <li>Approve sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s)</li> </ul>	<ul style="list-style-type: none"> <li>Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.</li> <li>Conduct meetings with existing managers periodically.</li> <li>Attend annual partnership meetings when appropriate.</li> <li>Fund capital calls and distributions.</li> <li>Review Private Equity Consultant's recommendations on amendments and consents.</li> <li>Execute amendments to agreements and consents.</li> <li>Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.</li> <li>Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> </ul>	<ul style="list-style-type: none"> <li>Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.</li> <li>Recommend amendments and consents to staff for approval.</li> <li>Provide quarterly, annual, and other periodic monitoring reports.</li> </ul>



**REPORT TO BOARD OF ADMINISTRATION**

**From: Neil Guglielmo, General Manager**

**MEETING: MAY 26, 2020**

**ITEM: VIII – H**

*Neil M. Guglielmo*

**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$20 MILLION IN HG SATURN 2 A L.P.**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board receive and file this notice of the commitment of up to \$20 million in Hg Saturn 2 A L.P.

**Executive Summary**

Hg Saturn 2 A L.P. will focus on making upper middle-market control investments in software and technology-enabled services primarily in northern Europe.

**Discussion**

*Consultant Recommendation*

Aksia TorreyCove Partners LLC (Aksia TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to \$20 million in Hg Saturn 2 A L.P. (the Fund), a buyout strategy managed by Hg Pooled Management Limited (the Firm or Hg). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2020 Strategic Plan adopted by the Board on December 10, 2019.

*Background*

Hg is led by its three senior managing partners, Nic Humphries, Justin von Simson, and Matthew Brockman. Prior to joining Hg, Mr. Humphries was at Barclays Private Equity, Mr. von Simpson was at Goldman Sachs, and Mr. Brockman was at Apax Partners. The Firm has £10 billion in funds under management, 80 professionals, and offices located in London (headquarters), Munich, and New York. Hg is a new general partner relationship for LACERS.

### *Investment Thesis*

Using a similar strategy to the Firm's flagship Genesis fund, Hg Saturn will target larger upper middle-market software and technology-enabled service companies domiciled primarily in northern Europe with enterprise values exceeding \$1.7 billion. The Firm has focused on this strategy since 2009, after the promotion of Mr. Humphries to Chief Executive Officer from his prior role as head of technology. Targeted companies provide mission critical software or services using a subscription or repeat revenue model, operating with low customer concentrations and demonstrating a clear expertise or possessing intellectual property. Transactions typically will take the form of leveraged buyouts, division carve-outs, and take-privates. The transactions sizes are typically between \$350 million and \$750 million. Hg focuses on value creation through organic revenue growth, typically by augmenting a company's sales force, adding product lines, updating pricing strategies, and upselling customers. Hg also focuses on improving operations by optimizing an organization's processes and implementing new key performance indicators. Exit strategies include initial public offerings and sales to financial institutions or strategic partners, such as other private equity firms or large enterprise firms.

### *Placement Agent*

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

### *Staff Recommendation*

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

### **Strategic Plan Impact Statement**

Investment in Hg Saturn 2 A L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2020 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

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

RJ/BF/WL/RK:jp

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

Hg Saturn 2 A, L.P.  
Investment Notification



[www.aksia.com](http://www.aksia.com)

## Hg Saturn 2 A, L.P.

General Partner	• Hg Pooled Management Limited (the “Firm,” “Hg,” or “HgCapital”)
Fund	• Hg Saturn 2 A, L.P. (the “Fund”)
Firm Founded	• 2000
Strategy	• Buyouts
Sub-Strategy	• Medium and Large Corporate Finance
Geography	• Primarily Northern Europe
Team	• 19 investment professionals and 30 operating professionals
Senior Partners	• Nic Humphries (Senior Partner), Justin von Simson, Matthew Brockman (Managing Partners)
Office Locations	• London, Munich, New York
Industries	• Software and technology-enabled services
Target Fund Size	• \$2.75 billion
Recommendation	• Up to \$20.0 million

## Investment Highlights

- Hg has a reputation as one of the first European private equity firms dedicated to investing in software and technology-enabled service businesses
- Large and cohesive senior team that has worked together through multiple economic cycles
- Focus on providing mission critical software and services provides some level of downside protection in turbulent economic times
- Multiple platforms based on deal size enable the Firm to fully canvas the European software market
- Strong historical performance of the Saturn platform’s lead, Nic Humphries

## Hg Saturn 2 A, L.P.

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### Firm and Background

- HgCapital began as the private equity arm of Mercury Asset Management in the 1990s and spun-out in 2000. The Firm pursued a generalist strategy until Nic Humphries (TMT sector lead) was promoted to CEO in 2009 and narrowed the investment scope to software and services companies.
- Today, the broader Hg team is still led by Nic Humphries who is supported two Managing Partners that have an average tenure of 15.7 years at the Firm.
- The Firm maintains three fund platforms that target controlling buyouts of small (Mercury), medium (Genesis), and large (Saturn) software and services companies in the European middle market.
- The Saturn platform is led by Nic Humphries and Justin von Simson who are supported a dedicated team of 17 investment professionals that includes four Partners, two Directors, three Principals, three Senior Associates, three Associates, and two Analysts.

### Investment Strategy

- The Saturn platform will target co-control buyouts of upper middle and large market software and services companies domiciled in Northern Europe, particularly the U.K., the DACH region, the Nordic region, and the Benelux region.
- The portfolio will be comprised of 5 to 8 Northern European upper middle market software and services companies with enterprise values of \$1.7 billion or more.
- Initial equity checks will generally range between \$350 million and \$750 million, and the General Partner anticipates the average equity investment will be ~\$600 million.
- Transactions will typically take of the form of leveraged buyouts, carve-outs, and take-privates.

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**PRIVATE EQUITY INVESTMENT POLICY**

**Discretion in a Box (Roles and Responsibilities)**

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**REPORT TO BOARD OF ADMINISTRATION**  
From: Neil M. Guglielmo, General Manager

**MEETING: MAY 26, 2020**  
**ITEM: VIII – I**

*Neil M. Guglielmo*

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**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$10 MILLION IN GENERAL CATALYST GROUP X – EARLY VENTURE, L.P.**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

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**Recommendation**

That the Board receive and file this notice of the commitment of up to \$10 million in General Catalyst Group X – Early Venture, L.P.

**Executive Summary**

General Catalyst Group X – Early Venture, L.P. will focus on information technology companies in the consumer and enterprise sectors.

**Discussion**

*Consultant Recommendation*

Aksia TorreyCove Partners LLC (Aksia TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to \$10 million in General Catalyst Group X – Early Venture, L.P. (the Fund), a venture capital strategy managed by General Catalyst Group Management (the Firm or General Catalyst). Fund management and incentive fees are comparable to similar strategies and the Firm, as general partner, will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2020 Strategic Plan adopted by the Board on December 10, 2019.

*Background*

General Catalyst was founded in 1999 and is led by senior partners, Ken Chenault, David Fialkow, Joel Cutler, and Hemant Taneja. Prior to joining General Catalyst, Mr. Chenault was the Chief Executive Officer of American Express, and Messrs. Fialkow, Cutler, and Taneja were entrepreneurs and business operators. The firm has offices in Cambridge, Massachusetts (headquarters), San Francisco, Palo Alto, and New York. General Catalyst is a new general partner relationship for LACERS.

### *Investment Thesis*

General Catalyst targets primarily information technology companies in the consumer applications and enterprise software sectors. The Firm has focused on these sectors since inception, specializing in complex technologies and identifying disruptive companies. In addition, General Catalyst pursues digital transformation of major sectors in the economy, such as mobile data and telecommunication, outsource computing, software-as-a-service, social media, and artificial intelligence. General Catalyst implements a full investment stage model, investing throughout a startup company's journey, from inception through the inflection phase. The Fund invests during the early financing rounds of startup companies that generally have enterprise values below \$150 million. Exit strategies include initial public offerings and sales to strategic partners, such as other private equity firms or large enterprise firms.

### *Placement Agent*

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

### *Staff Recommendation*

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

### **Strategic Plan Impact Statement**

Investment in General Catalyst Group X – Early Venture, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2020 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

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

RJ/BF/WL/EP:jp

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

# General Catalyst Group X - Early Venture, L.P. Investment Notification



[www.aksia.com](http://www.aksia.com)

## General Catalyst Group X - Early Venture, L.P.

General Partner	• General Catalyst Group Management LLC (the “Firm,” “GC,” or “General Catalyst”)
Fund	• General Catalyst Group X - Early Venture, L.P. (the “Early Venture Fund”)
Firm Founded	• 1999
Strategy	• Venture Capital
Sub-Strategy	• Venture Capital - Early Stage
Geography	• Primarily the U.S.
Team	• 12 Managing Directors and 15 additional investment professionals
Senior Partners	• Joel Cutler, David Fialkow, Hemant Taneja, Ken Chenault
Office Locations	• Cambridge (MA), San Francisco (CA), Palo Alto (CA), New York (NY)
Industries	• IT for the Consumer and Enterprise Sectors
Target Fund Size	• \$600.0 million
Recommendation	• Up to \$10.0 million

## Investment Highlights

- Experienced and cohesive senior team that includes 4 Senior Partners that have been investing together for an average of 15 years; they are supported by a group of experienced investment professionals that includes 8 additional Managing Directors
- General Catalyst invests across the venture capital and growth equity spectrum, investing throughout a startup’s journey, from inception through the inflection phase
- Over the past 21 years, General Catalyst has created a strong reputation and has developed a broad network of entrepreneurs that should benefit the Firm going forward
- General Catalyst has generated strong returns historically across early-stage venture investments

## General Catalyst Group X - Early Venture, L.P.

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### Firm and Background

- General Catalyst was founded in 1999 in Boston by David Fialkow, Joel Cutler, John Simon, and Bill Fitzgerald. Fialkow and Cutler worked together prior to forming the Firm, as business partners dating back to the late 1980s.
- Fund I launched in 2000 with a pre-seeded portfolio that totaled \$73.5 million of commitments. The Firm subsequently launched its first institutional fund in 2001 with \$219.1 million in capital commitments.
- In 2002 the Firm moved to Cambridge and expanded to Silicon Valley when it opened its Palo Alto office in 2010. GC also opened an office in New York City in 2012 and then an office in San Francisco in 2017.
- The Firm continues to be led by David Fialkow and Joel Cutler, who have been joined more recently by Hemant Taneja and Ken Chenault.
- The investment team is organized into two groups, one with a focus on growth venture investments and another focused on early venture investments.

### Investment Strategy

- The Early Venture Fund targets start-up companies and other nascent businesses by participating in Seed, Series A, or Series B financing rounds.
- The Early Venture Fund targets innovation-driven companies that are still formulating or proving out an idea, focusing on new themes or industries that are ripe for change through innovation and digital transformation.
- The Early Venture Fund will target 40 or more investments over the life of the fund, deploying less than \$25 million per transaction in companies with enterprise values below \$150 million.

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**PRIVATE EQUITY INVESTMENT POLICY**

**Discretion in a Box (Roles and Responsibilities)**

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<b>Strategy/Policy</b>	<ul style="list-style-type: none"> <li>Select Private Equity Consultant.</li> <li>Approve asset class funding level.</li> <li>Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.</li> </ul>	<ul style="list-style-type: none"> <li>With Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>With staff and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>
<b>Investment Selection</b>	<ul style="list-style-type: none"> <li>Review investment analysis reports.</li> <li>Review and approve investments in new management groups of amounts greater than \$50 million prior to investment.</li> <li>Review and approve investments in follow-on partnerships of amounts greater than \$100 million prior to investment.</li> </ul>	<ul style="list-style-type: none"> <li>Refer investments and forward to Private Equity Consultant for preliminary screening.</li> <li>Conduct meetings with potential new investments prior to recommending to the Board, if practical.</li> <li>In conjunction with Private Equity Consultant, invest up to \$50 million for new partnerships, and up to \$100 million for follow-on funds without Board approval. If staff opposes, refer to Board for decision.</li> <li>In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over \$50 million in new partnerships, or over \$100 million in follow-on funds.</li> <li>Execute agreements.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct extensive analysis and due diligence on investments.</li> <li>Recommend for Board approval investments over \$50 million for new managers, or over \$100 million in follow-on funds.</li> <li>With staff concurrence, approve investment of up to \$50 million for new partnerships, and up to \$100 million in follow-on funds.</li> <li>Provide investment analysis report for each new investment and sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>Communicate with staff regarding potential opportunities undergoing extensive analysis and due diligence.</li> <li>Coordinate meetings between staff, Board, and general partner upon request.</li> <li>Negotiate legal documents.</li> </ul>
<b>Investment Monitoring</b>	<ul style="list-style-type: none"> <li>Review quarterly, annual, and other periodic monitoring reports.</li> <li>Approve sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s)</li> </ul>	<ul style="list-style-type: none"> <li>Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.</li> <li>Conduct meetings with existing managers periodically.</li> <li>Attend annual partnership meetings when appropriate.</li> <li>Fund capital calls and distributions.</li> <li>Review Private Equity Consultant's recommendations on amendments and consents.</li> <li>Execute amendments to agreements and consents.</li> <li>Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.</li> <li>Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> </ul>	<ul style="list-style-type: none"> <li>Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.</li> <li>Recommend amendments and consents to staff for approval.</li> <li>Provide quarterly, annual, and other periodic monitoring reports.</li> </ul>



**REPORT TO BOARD OF ADMINISTRATION**

**From: Neil M. Guglielmo, General Manager**

**MEETING: MAY 26, 2020**

**ITEM: VIII – J**

*Neil M. Guglielmo*

**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$11.7 MILLION IN GENERAL CATALYST GROUP X – ENDURANCE, L.P.**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board receive and file this notice of the commitment of up to \$11.7 million in General Catalyst Group X – Endurance, L.P.

**Executive Summary**

General Catalyst Group X – Endurance, L.P. will focus on information technology companies in the consumer and enterprise sectors.

**Discussion**

*Consultant Recommendation*

Aksia TorreyCove Partners LLC (Aksia TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to \$11.7 million in General Catalyst Group X – Endurance, L.P. (the Fund), a growth equity strategy managed by General Catalyst Group Management (the Firm or General Catalyst). Fund management and incentive fees are comparable to similar strategies and the Firm, as general partner, will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2020 Strategic Plan adopted by the Board on December 10, 2019.

*Background*

General Catalyst was founded in 1999 and is led by senior partners, Ken Chenault, David Fialkow, Joel Cutler, and Hemant Taneja. Prior to joining General Catalyst, Mr. Chenault was the Chief Executive Officer of American Express, and Messrs. Fialkow, Cutler, and Taneja were entrepreneurs and business operators. The firm has offices in Cambridge, Massachusetts (headquarters), San Francisco, Palo Alto, and New York. General Catalyst is a new general partner relationship for LACERS.

### *Investment Thesis*

General Catalyst targets primarily information technology companies in the consumer applications and enterprise software sectors. The Firm has focused on these sectors since inception, specializing in complex technologies and identifying disruptive companies. In addition, General Catalyst pursues digital transformation of major sectors in the economy, such as mobile data and telecommunication, outsource computing, software-as-a-service, social media, and artificial intelligence. General Catalyst implements a full investment stage model, investing throughout a startup company's journey, from inception through the inflection phase. The Fund is a co-investment fund that will invest alongside General Catalyst's Early Venture and Growth Venture funds. Exit strategies include initial public offerings and sales to strategic partners, such as other private equity firms or large enterprise firms.

### *Placement Agent*

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

### *Staff Recommendation*

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

### **Strategic Plan Impact Statement**

Investment in General Catalyst Group X – Endurance, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2020 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

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

RJ/BF/WL/EP:jp

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

General Catalyst Group X - Endurance, L.P.  
Investment Notification



[www.aksia.com](http://www.aksia.com)

## General Catalyst Group X - Endurance, L.P.

<b>General Partner</b>	• General Catalyst Group Management LLC (the “Firm,” “GC,” or “General Catalyst”)
<b>Fund</b>	• General Catalyst Group X - Endurance, L.P. (the “Endurance Fund”)
<b>Firm Founded</b>	• 1999
<b>Strategy</b>	• Growth Equity
<b>Sub-Strategy</b>	• Growth Equity
<b>Geography</b>	• Primarily the U.S.
<b>Team</b>	• 12 Managing Directors and 15 additional investment professionals
<b>Senior Partners</b>	• Joel Cutler, David Fialkow, Hemant Taneja, Ken Chenault
<b>Office Locations</b>	• Cambridge (MA), San Francisco (CA), Palo Alto (CA), New York (NY)
<b>Industries</b>	• IT for the Consumer and Enterprise Sectors
<b>Target Fund Size</b>	• \$700.0 million
<b>Recommendation</b>	• Up to \$11.7 million

## Investment Highlights

- Experienced and cohesive senior team that includes 4 Senior Partners that have been investing together for an average of 15 years; they are supported by a group of experienced investment professionals that includes 8 additional Managing Directors
- General Catalyst invests across the venture capital and growth equity spectrum, investing throughout a startup’s journey, from inception through the inflection phase
- Over the past 21 years, General Catalyst has created a strong reputation and has developed a broad network of entrepreneurs that should benefit the Firm going forward
- General Catalyst has generated strong returns historically across both its early stage and growth equity investments

## General Catalyst Group X - Endurance, L.P.

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### Firm and Background

- General Catalyst was founded in 1999 in Boston by David Fialkow, Joel Cutler, John Simon, and Bill Fitzgerald. Fialkow and Cutler worked together prior to forming the Firm, as business partners dating back to the late 1980s.
- Fund I launched in 2000 with a pre-seeded portfolio that totaled \$73.5 million of commitments. The Firm subsequently launched its first institutional fund in 2001 with \$219.1 million in capital commitments.
- In 2002 the Firm moved to Cambridge and expanded to Silicon Valley when it opened its Palo Alto office in 2010. GC also opened an office in New York City in 2012 and then an office in San Francisco in 2017.
- The Firm continues to be led by David Fialkow and Joel Cutler, who have been joined more recently by Hemant Taneja and Ken Chenault.
- The investment team is organized into two groups, one with a focus on growth venture investments and another focused on early venture investments.

### Investment Strategy

- The Endurance Fund will be a co-investment fund that invests in follow-on rounds with the Early Venture Fund and the Growth Fund in existing portfolio companies.
- The Endurance Fund will target a maximum of 10 investments over the life of the fund, deploying between \$25 million and \$100 million per transaction in companies with enterprise values greater than \$150 million.

**PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE.**

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

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

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

**PRIVATE EQUITY INVESTMENT POLICY**

**Discretion in a Box (Roles and Responsibilities)**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Strategy/Policy</b>	<ul style="list-style-type: none"> <li>Select Private Equity Consultant.</li> <li>Approve asset class funding level.</li> <li>Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.</li> </ul>	<ul style="list-style-type: none"> <li>With Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>With staff and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>
<b>Investment Selection</b>	<ul style="list-style-type: none"> <li>Review investment analysis reports.</li> <li>Review and approve investments in new management groups of amounts greater than \$50 million prior to investment.</li> <li>Review and approve investments in follow-on partnerships of amounts greater than \$100 million prior to investment.</li> </ul>	<ul style="list-style-type: none"> <li>Refer investments and forward to Private Equity Consultant for preliminary screening.</li> <li>Conduct meetings with potential new investments prior to recommending to the Board, if practical.</li> <li>In conjunction with Private Equity Consultant, invest up to \$50 million for new partnerships, and up to \$100 million for follow-on funds without Board approval. If staff opposes, refer to Board for decision.</li> <li>In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over \$50 million in new partnerships, or over \$100 million in follow-on funds.</li> <li>Execute agreements.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct extensive analysis and due diligence on investments.</li> <li>Recommend for Board approval investments over \$50 million for new managers, or over \$100 million in follow-on funds.</li> <li>With staff concurrence, approve investment of up to \$50 million for new partnerships, and up to \$100 million in follow-on funds.</li> <li>Provide investment analysis report for each new investment and sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>Communicate with staff regarding potential opportunities undergoing extensive analysis and due diligence.</li> <li>Coordinate meetings between staff, Board, and general partner upon request.</li> <li>Negotiate legal documents.</li> </ul>
<b>Investment Monitoring</b>	<ul style="list-style-type: none"> <li>Review quarterly, annual, and other periodic monitoring reports.</li> <li>Approve sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s)</li> </ul>	<ul style="list-style-type: none"> <li>Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.</li> <li>Conduct meetings with existing managers periodically.</li> <li>Attend annual partnership meetings when appropriate.</li> <li>Fund capital calls and distributions.</li> <li>Review Private Equity Consultant's recommendations on amendments and consents.</li> <li>Execute amendments to agreements and consents.</li> <li>Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.</li> <li>Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> </ul>	<ul style="list-style-type: none"> <li>Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.</li> <li>Recommend amendments and consents to staff for approval.</li> <li>Provide quarterly, annual, and other periodic monitoring reports.</li> </ul>



**REPORT TO BOARD OF ADMINISTRATION**

**From: Neil M. Guglielmo, General Manager**

**MEETING: MAY 26, 2020**

**ITEM: VIII – K**

*Neil M. Guglielmo*

**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$16.7 MILLION IN GENERAL CATALYST GROUP X – GROWTH VENTURE, L.P.**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board receive and file this notice of the commitment of up to \$16.7 million in General Catalyst Group X – Growth Venture, L.P.

**Executive Summary**

General Catalyst Group X – Growth Venture, L.P. will focus on information technology companies in the consumer and enterprise sectors.

**Discussion**

*Consultant Recommendation*

Aksia TorreyCove Partners LLC (Aksia TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to \$16.7 million in General Catalyst Group X – Growth Venture, L.P. (the Fund), a growth equity strategy managed by General Catalyst Group Management LLC (the Firm or General Catalyst). Fund management and incentive fees are comparable to similar strategies and the Firm, as general partner, will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2020 Strategic Plan adopted by the Board on December 10, 2019.

*Background*

General Catalyst was founded in 1999 and is led by senior partners, Ken Chenault, David Fialkow, Joel Cutler, and Hemant Taneja. Prior to joining General Catalyst, Mr. Chenault was the Chief Executive Officer of American Express, and Messrs. Fialkow, Cutler, and Taneja were entrepreneurs and business operators. The firm has offices in Cambridge, Massachusetts (headquarters), San Francisco, Palo Alto, and New York. General Catalyst is a new general partner relationship for LACERS.

### *Investment Thesis*

General Catalyst targets primarily information technology companies in the consumer applications and enterprise software sectors. The Firm has focused on these sectors since inception, specializing in complex technologies and identifying disruptive companies. In addition, General Catalyst pursues digital transformation of major sectors in the economy, such as mobile data and telecommunication, outsource computing, software-as-a-service, social media, and artificial intelligence. General Catalyst implements a full investment stage model, investing throughout a startup company's journey, from inception through the inflection phase. The Fund targets high-growth companies with more than \$10 million in annual revenue. Exit strategies include initial public offerings and sales to strategic partners, such as other private equity firms or large enterprise firms.

### *Placement Agent*

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

### *Staff Recommendation*

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

### **Strategic Plan Impact Statement**

Investment in General Catalyst Group X – Growth Venture, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2020 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

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

RJ/BF/WL/EP:jp

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

Aksia LLC

# General Catalyst Group X – Growth Venture, L.P. Investment Notification



[www.aksia.com](http://www.aksia.com)

## General Catalyst Group X – Growth Venture, L.P.

General Partner	• General Catalyst Group Management LLC (the “Firm,” “GC,” or “General Catalyst”)
Fund	• General Catalyst Group X – Growth Venture, L.P. (the “Growth Fund”)
Firm Founded	• 1999
Strategy	• Growth Equity
Sub-Strategy	• Growth Equity
Geography	• Primarily the U.S.
Team	• 12 Managing Directors and 15 additional investment professionals
Senior Partners	• Joel Cutler, David Fialkow, Hemant Taneja, Ken Chenault
Office Locations	• Cambridge (MA), San Francisco (CA), Palo Alto (CA), New York (NY)
Industries	• IT for the Consumer and Enterprise Sectors
Target Fund Size	• \$1.0 billion
Recommendation	• Up to \$16.7 million

## Investment Highlights

- Experienced and cohesive senior team that includes 4 Senior Partners that have been investing together for an average of 15 years; they are supported by a group of experienced investment professionals that includes 8 additional Managing Directors
- General Catalyst invests across the venture capital and growth equity spectrum, investing throughout a startup’s journey, from inception through the inflection phase
- Over the past 21 years, General Catalyst has created a strong reputation and has developed a broad network of entrepreneurs that should benefit the Firm going forward
- General Catalyst has generated strong returns historically across its growth equity investments

## General Catalyst Group X – Growth Venture, L.P.

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### Firm and Background

- General Catalyst was founded in 1999 in Boston by David Fialkow, Joel Cutler, John Simon, and Bill Fitzgerald. Fialkow and Cutler worked together prior to forming the Firm, as business partners dating back to the late 1980s.
- Fund I launched in 2000 with a pre-seeded portfolio that totaled \$73.5 million of commitments. The Firm subsequently launched its first institutional fund in 2001 with \$219.1 million in capital commitments.
- In 2002 the Firm moved to Cambridge and expanded to Silicon Valley when it opened its Palo Alto office in 2010. GC also opened an office in New York City in 2012 and then an office in San Francisco in 2017.
- The Firm continues to be led by David Fialkow and Joel Cutler, who have been joined more recently by Hemant Taneja and Ken Chenault.
- The investment team is organized into two groups, one with a focus on growth venture investments and another focused on early venture investments.

### Investment Strategy

- As part of its Growth Fund strategy, the Firm targets “hypergrowth” businesses. These are companies that have achieved product-market fit, are in a period of accelerating growth and are targeting a large addressable market.
- The Growth Fund will target 20 – 25 investments over the life of the fund, deploying between \$25 million and \$50 million per transaction in companies with Enterprise Values of \$150 million and above.
- General Catalyst expects approximately half of the deals in the Growth Fund to be follow-on investments from the Early Venture Fund.

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**PRIVATE EQUITY INVESTMENT POLICY**

**Discretion in a Box (Roles and Responsibilities)**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Strategy/Policy</b>	<ul style="list-style-type: none"> <li>Select Private Equity Consultant.</li> <li>Approve asset class funding level.</li> <li>Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.</li> </ul>	<ul style="list-style-type: none"> <li>With Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>With staff and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>
<b>Investment Selection</b>	<ul style="list-style-type: none"> <li>Review investment analysis reports.</li> <li>Review and approve investments in new management groups of amounts greater than \$50 million prior to investment.</li> <li>Review and approve investments in follow-on partnerships of amounts greater than \$100 million prior to investment.</li> </ul>	<ul style="list-style-type: none"> <li>Refer investments and forward to Private Equity Consultant for preliminary screening.</li> <li>Conduct meetings with potential new investments prior to recommending to the Board, if practical.</li> <li>In conjunction with Private Equity Consultant, invest up to \$50 million for new partnerships, and up to \$100 million for follow-on funds without Board approval. If staff opposes, refer to Board for decision.</li> <li>In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over \$50 million in new partnerships, or over \$100 million in follow-on funds.</li> <li>Execute agreements.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct extensive analysis and due diligence on investments.</li> <li>Recommend for Board approval investments over \$50 million for new managers, or over \$100 million in follow-on funds.</li> <li>With staff concurrence, approve investment of up to \$50 million for new partnerships, and up to \$100 million in follow-on funds.</li> <li>Provide investment analysis report for each new investment and sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>Communicate with staff regarding potential opportunities undergoing extensive analysis and due diligence.</li> <li>Coordinate meetings between staff, Board, and general partner upon request.</li> <li>Negotiate legal documents.</li> </ul>
<b>Investment Monitoring</b>	<ul style="list-style-type: none"> <li>Review quarterly, annual, and other periodic monitoring reports.</li> <li>Approve sale of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s)</li> </ul>	<ul style="list-style-type: none"> <li>Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.</li> <li>Conduct meetings with existing managers periodically.</li> <li>Attend annual partnership meetings when appropriate.</li> <li>Fund capital calls and distributions.</li> <li>Review Private Equity Consultant's recommendations on amendments and consents.</li> <li>Execute amendments to agreements and consents.</li> <li>Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.</li> <li>Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> </ul>	<ul style="list-style-type: none"> <li>Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.</li> <li>Recommend amendments and consents to staff for approval.</li> <li>Provide quarterly, annual, and other periodic monitoring reports.</li> </ul>



**REPORT TO BOARD OF ADMINISTRATION**  
From: Neil M. Guglielmo, General Manager

**MEETING: MAY 26, 2020**  
**ITEM: VIII – L**

*Neil M. Guglielmo*

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**SUBJECT: NOTIFICATION OF PURCHASE OF PARTNERSHIP INTEREST OF UP TO \$50 MILLION IN SLC MANAGEMENT TALF PARTNERS FUND 2, LP**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

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**Recommendation**

That the Board receive and file this notice to purchase a partnership interest of up to \$50 million in SLC Management TALF Partners Fund 2, LP.

**Discussion**

On May 12, 2020, the Board, in closed session pursuant to Government Code Section 54956.81, approved a purchase of partnership interest of up to \$50 million in the following credit opportunities fund: SLC Management TALF Partners Fund 2, LP. The investment closed on May 15, 2020. Board vote: Ayes 7 (Commissioners Annie Chao, Elizabeth Lee, Sandra Lee, Nilza Serrano, Sung Won Sohn, Vice President Michael Wilkinson, and President Cynthia Ruiz), Nays 0.

**Strategic Plan Impact Statement**

Investment in SLC Management TALF Partners Fund 2, LP will allow LACERS to maintain exposure to Credit Opportunities, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Wilkin Ly, Investment Officer III, Investment Division

RJ/BF/WL:jp