**LACERS**
**LA CITY EMPLOYEES' RETIREMENT SYSTEM**

# Board of Administration Agenda

## REGULAR MEETING

## TUESDAY, MAY 25, 2021

## 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 25, 2021, meeting will be conducted via telephone and/or videoconferencing.

### Important Message to the Public

***Information to call-in to listen and or participate:***
**Dial:** (669) 900-6833 or (346) 248-7799
**Meeting ID#** 850 8160 0847

***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: | Sung Won Sohn |
| Commissioners: | Annie Chao<br>Elizabeth Lee<br>Sandra Lee<br>Nilza R. Serrano<br>Michael R. Wilkinson |
| Manager-Secretary: | Neil M. Guglielmo |
| Executive Assistant: | Ani Ghoukassian |
| Legal Counsel: | City Attorney's Office<br>Public Pensions General Counsel Division |

### Notice to Paid Representatives

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

### Request for Services

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.ghoukassian@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

II. APPROVAL OF MINUTES FOR THE REGULAR MEETING OF APRIL 27, 2021 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 MARCH 2021 (REVISED)

B. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR APRIL 2021

VI. BOARD/DEPARTMENT ADMINISTRATION

A. PROPOSED BUDGET, PERSONNEL, AND ANNUAL RESOLUTIONS FOR FISCAL YEAR 2021-22 AND POSSIBLE BOARD ACTION

VII. MEMBER SERVICES

A. REQUEST FOR PROPOSAL (RFP) FOR PRINTING, MAILING, AND GRAPHIC DESIGN AND POSSIBLE BOARD ACTION

VIII. INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT

B. PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI) LETTER TO THE SECURITIES AND EXCHANGE COMMISSION REGARDING REQUEST FOR PUBLIC COMMENT ON CLIMATE CHANGE DISCLOSURE AND POSSIBLE BOARD ACTION

C. PROPOSED AMENDMENT OF EMERGING INVESTMENT MANAGER POLICY AND POSSIBLE BOARD ACTION

D. NOTIFICATION OF COMMITMENT OF UP TO $10 MILLION IN ULU VENTURES FUND III, L.P.

E. NOTIFICATION OF COMMITMENT OF UP TO $11 MILLION IN MILL POINT CAPITAL PARTNERS II, L.P.

F. NOTIFICATION OF COMMITMENT OF UP TO €40,831,350 (APPROXIMATELY $50 MILLION) IN H.I.G. EUROPE MIDDLE MARKET LBO FUND, L.P.

G. NOTIFICATION OF COMMITMENT OF UP TO $40 MILLION IN OAK HC/FT PARTNERS IV, L.P.

H. NOTIFICATION OF COMMITMENT OF UP TO $40 MILLION IN NMS FUND IV, LP

I. NOTIFICATION OF COMMITMENT OF UP TO $40 MILLION IN ROARK CAPITAL PARTNERS VI (T) LP

J. NOTIFICATION OF COMMITIMENT OF UP TO $57.5 MILLION IN GENSTAR CAPITAL PARTNERS X, L.P.

IX. LEGAL/LITIGATION

A. APPROVAL OF CONTRACTS WITH K&L GATES LLP, KUTAK ROCK LLP, AND NOSSAMAN LLP FOR OUTSIDE INVESTMENT AND REAL ESTATE COUNSEL SERVICES, AND POSSIBLE BOARD ACTION

X. DISABILITY RETIREMENT APPLICATION(S)

**A. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF KARLA SCOTT AND POSSIBLE BOARD ACTION**

XI. OTHER BUSINESS

XII. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, June 8, 2021 at 10:00 a.m. at LACERS, 977 N. Broadway, Suite 260, Los Angeles, CA 90012, and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings while response to public health concerns relating to the novel coronavirus continue.

XIII. 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
April 27, 2021, meeting was conducted
via telephone and/or videoconferencing.

**Agenda of: May 25, 2021**

**Item No: II**

April 27, 2021

10:00 a.m.

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| | | |
|---|---|---|
| PRESENT via Videoconferencing: | President | Cynthia M. Ruiz |
| | Commissioners: | Annie Chao<br>Elizabeth Lee<br>Sandra Lee<br>Nilza R. Serrano<br>Michael R. Wilkinson |
| | Manager-Secretary: | Neil M. Guglielmo |
| | Legal Counselor: | Anya Freedman |
| ABSENT: | Vice President: | Sung Won Sohn |
| 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 taken out of order.*

II

APPROVAL OF MINUTES FOR THE REGULAR MEETING OF MARCH 23, 2021 AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval, seconded by Commissioner Elizabeth Lee, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, and President Ruiz -6; Nays, None.

III

BOARD PRESIDENT VERBAL REPORT – There was no report.

IV

GENERAL MANAGER VERBAL REPORT

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

- SIP Update
- Retirements
- Applications
- Contribution Refunds
- Mobile Fax
- MSC Stats
- Member Service Center Post-Holiday Service Strategy
- Utilizing Temp Help
- 977 Broadway – HQ Items

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

- Board – May 11, 2021 – Report on Health Savings Accounts in response to City Council Motion (C.F. 21-0295)

V

RECEIVE AND FILE ITEMS

A. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR MARCH 2021 – This report was received by the Board and filed.

B. CONTRACTORS' DISCLOSURE REPORT FOR THE PERIOD AUGUST 14, 2019 TO DECEMBER 31, 2020 – This report was received by the Board and filed.

*Item I taken out of order.*

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – *THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT* – **PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD** – President Ruiz asked if any persons wanted to make a general public comment to which there were four responses. Ruth Perry, Dan Kagel, and Ronald Black, members of the public voiced opposition to the Council Motion File No. 19-1577 and File No. 20-1606. Commissioner Wilkinson also supported the callers' comments and proceeding with the staff reports. President Ruiz stated that numerous written comments were also submitted from the public with the same opinion as the callers.

VI

COMMITTEE REPORT(S)

A. INVESTMENT COMMITTEE VERBAL REPORT FOR THE MEETING ON APRIL 13, 2021 – Commissioner Serrano stated the Committee approved contracts with Northern Trust Company and proposed amendment to Emerging Investment Manager Policy. She stated the Committee also considered three real estate opportunities in Closed Session.

B. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT FOR THE MEETING ON APRIL 27, 2021 – Commissioner Wilkinson stated the Committee was presented with the Health Plan Financial Dashboards and the Health Management Dashboards.

President Ruiz recessed the Regular Meeting at 10:31 a.m. to convene in Closed Session discussion.

VII

DISABILITY RETIREMENT APPLICATION(S)

**A. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF JOAKIM JONSSON AND POSSIBLE BOARD ACTION (HEARING)**

President Ruiz reconvened the Regular Meeting at 10:38 a.m. and announced that the Board unanimously approved the Disability Retirement Application of Joakim Jonsson.

VIII

MEMBER SERVICES

A. ONLINE RETIREMENT APPLICATION PRESENTATION AND DEMO – Taneda Larios, Senior Management Analyst II and Vikram Jadhav, Innovation Director, presented and discussed the Online Retirement Application demo with the Board for 30 minutes.

IX

BENEFITS ADMINISTRATION

A. RESPONSE TO COUNCIL MOTION 20-1606 REGARDING THE LACERS HEALTH AND WELLNESS PROGRAM COSTS AND POSSIBLE BOARD ACTION – Neil M. Guglielmo, General Manger, presented and discussed this item with the Board for 15 minutes. After discussion, Commissioner Elizabeth Lee moved approval, seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, and President Ruiz -6; Nays, None.

X

RETIREMENT SERVICES

A. SURVIVOR BENEFITS STATISTICAL OVERVIEW 2016-2020 – James Kawashima, Benefits Analyst, presented and discussed this item with the Board for 10 minutes.

## XI

## INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value of $22.17 billion as of April 26, 2021. Mr. June discussed the following items:

- Future Agenda items: Continued discussion of the asset allocation study, May 11th guest speaker Ken Chenault of General Catalyst, and investment manager contracts

B. CONTRACTS WITH NORTHERN TRUST COMPANY REGARDING MASTER CUSTODIAL SERVICES, SECURITIES LENDING, AND ANCILLARY SERVICES AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval of the following Resolution:

### CONTRACT RENEWALS
### THE NORTHERN TRUST COMPANY
### MASTER TRUST CUSTODIAL SERVICES

### <u>RESOLUTION 210427-B</u>

WHEREAS, LACERS' current three-year contracts with The Northern Trust Company (Northern Trust) for the following services: master custody, securities lending, compliance analyst, performance reporting and risk analytics, integrated disbursements, and fair value reporting expire on July 31, 2021; and,

WHEREAS, Northern Trust has provided a satisfactory level of service in meeting LACERS' needs; and,

WHEREAS, on April 27, 2021, the Board approved the Investment Committee's recommendation for three-year contract renewals with Northern Trust; and,

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

| | |
|---|---|
| <u>Company Name</u>: | The Northern Trust Company |
| <u>Services Provided</u>: | Master Custody<br>Securities Lending<br>Compliance Analyst<br>Performance Reporting and Risk Analytics<br>Integrated Disbursements<br>Fair Value Reporting |
| <u>Effective Dates</u>: | August 1, 2021 through July 31, 2024 |
| <u>Duration</u>: | Three years |

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

C. RESPONSE TO COUNCIL MOTION 19-1577 REGARDING CLIMATE TRANSITION FRAMEWORK AND POSSIBLE BOARD ACTION – Neil M. Guglielmo, General Manager, presented and discussed this item with the Board for 15 minutes. After discussion, Commissioner Serrano moved approval, seconded by Commissioner Elizabeth Lee, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, and President Ruiz; Nays, None.

D. NOTIFICATION OF COMMITMENT OF UP TO $40 MILLION IN GLP CAPITAL PARTNERS IV LP – This report was received by the Board and filed.

President Ruiz recessed the Regular Meeting at 11:55 a.m. to convene in Closed Session discussion.

**E. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO WOLFF CREDIT PARTNERS III, L.P. AND POSSIBLE BOARD ACTION**

**F. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO KAYNE ANDERSON CORE REAL ESTATE, L.P. AND POSSIBLE BOARD ACTION**

**G. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO LION INDUSTRIAL TRUST AND POSSIBLE BOARD ACTION**

President Ruiz reconvened the Regular Meeting at 12:02 p.m.

XII

OTHER BUSINESS – Commissioner Sandra Lee stated that she is a part of the Asian Americans and Pacific Islanders (AAPI) group working with other City Commissioners fighting hate against AAPI. She requested support from LACERS to perhaps use the new HQ building wall space to display material regarding this campaign. Neil M. Guglielmo, General Manager, stated he will discuss this further with the Commissioner.

XIII

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, May 11, 2021, at 10:00 a.m. at LACERS, 977 N. Broadway, Suite 260, Los Angeles, CA 90012, and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings while response to public health concerns relating to the novel coronavirus continue.

XIV

ADJOURNMENT – There being no further business before the Board, President Ruiz adjourned the Meeting at 12:05 p.m.

Cynthia M. Ruiz
President

Neil M. Guglielmo
Manager-Secretary

**Agenda of: MAY 25, 2021**

**Item No: V-A**

# MONTHLY REPORT ON SEMINARS AND CONFERENCES ATTENDED BY BOARD MEMBERS ON BEHALF OF LACERS (FOR THE MONTH OF MARCH 2021) - REVISED

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:

Commissioner Elizabeth Lee

| DATE(S) OF EVENT | SEMINAR / CONFERENCE TITLE | EVENT SPONSOR (ORGANIZATION) | LOCATION (CITY, STATE) |
|---|---|---|---|
| March 25-26, 2021 | **NASP 2021 “Day of Education in Private Equity** | National Assn. of Securities Professionals | Virtual |

**Agenda of:** **MAY 25, 2021**

**Item No:** **V-B**

# MONTHLY REPORT ON SEMINARS AND CONFERENCES ATTENDED BY BOARD MEMBERS ON BEHALF OF LACERS
## (FOR THE MONTH OF APRIL 2021)

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 Sung Won Sohn

Commissioner Annie Chao
Commissioner Elizabeth Lee
Commissioner Sandra Lee
Commissioner Nilza R. Serrano
Commissioner Michael R. Wilkinson

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

**LACERS**
**LA CITY EMPLOYEES' RETIREMENT SYSTEM**

**REPORT TO BOARD OF ADMINISTRATION** **MEETING: MAY 25, 2021**
**From: Neil M. Guglielmo, General Manager** **ITEM: VI – A**

SUBJECT: **PROPOSED BUDGET, PERSONNEL, AND ANNUAL RESOLUTIONS FOR FISCAL YEAR 2021-22 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 2021-22 (FY22);
2) Delegate authority to the General Manager to transfer between budget appropriation accounts in alignment with City thresholds, not to exceed the intra-departmental transfer amount of $57,056 for Fiscal Year 2020-21, or as updated by the City Administrative Officer; and
3) 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 FY22 Administrative Expense Budget presented for approval is $32.90 million, a slight increase of $135,215 over the Preliminary Budget presented to the Board on March 25, 2021, and an overall increase of $2.96 million, or 9.9%, over the prior year base budget; though a decrease of $4.60 million, or -12.3%, versus the prior year SIP adjusted budget. The budget includes four new regular positions and 23 substitute authority positions, versus two regular and 25 substitute authority positions requested in March.

The FY22 Health Care Fund Administrative Expense (115 Trust) Budget of $934,000 is reflected on the below summary table, with no budget change since the March report, and an overall increase of 9.5% over FY21.

| | | **FY22** | | **FY21** | | **change** | **% change** |
|---|---|---|---|---|---|---|---|
| City Contribution | $ | 715,507,022 | $ | 645,900,502 | $ | 69,606,520 | 10.8% |
| Investment Management Fee & Expense | $ | 95,652,261 | $ | 91,557,275 | $ | 4,094,986 | 4.5% |
| Administrative Expense (Original \| With Supplemental) | $ | 32,904,448 | $ | 29,948,248 | $ | 2,956,200 | 9.9% |
| | | | $ | 37,499,812 | $ | (4,595,364) | -12.3% |
| Health Care Fund Administrative Expense | $ | 934,000 | $ | 853,000 | $ | 81,000 | 9.5% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Regular Position Authorities | | 177 | | 173 | | 4 | 2.3% |

The FY22 City Contribution is revised to $715.51 million, a decrease of $21.95 million over the estimated City Contribution presented in March, due to the reduction in City's covered payroll for FY22, as reflected in the Proposed City Budget. Upon adoption of the Final City Budget in June by the Mayor and City Council, the City Contribution will be adjusted accordingly.

The FY22 Investment Management Fee and Expense Budget of $95.65 million, represents an increase of $17,500 since presented in March, due to the addition of software to assist with the Environmental, Social, Governance (ESG) Initiative.

The Annual Business Plan for FY22 and the corresponding budgets are detailed in the attached Performance Budget Report, while this report focuses on requests made during the March 25th presentation of the budget.

## Discussion

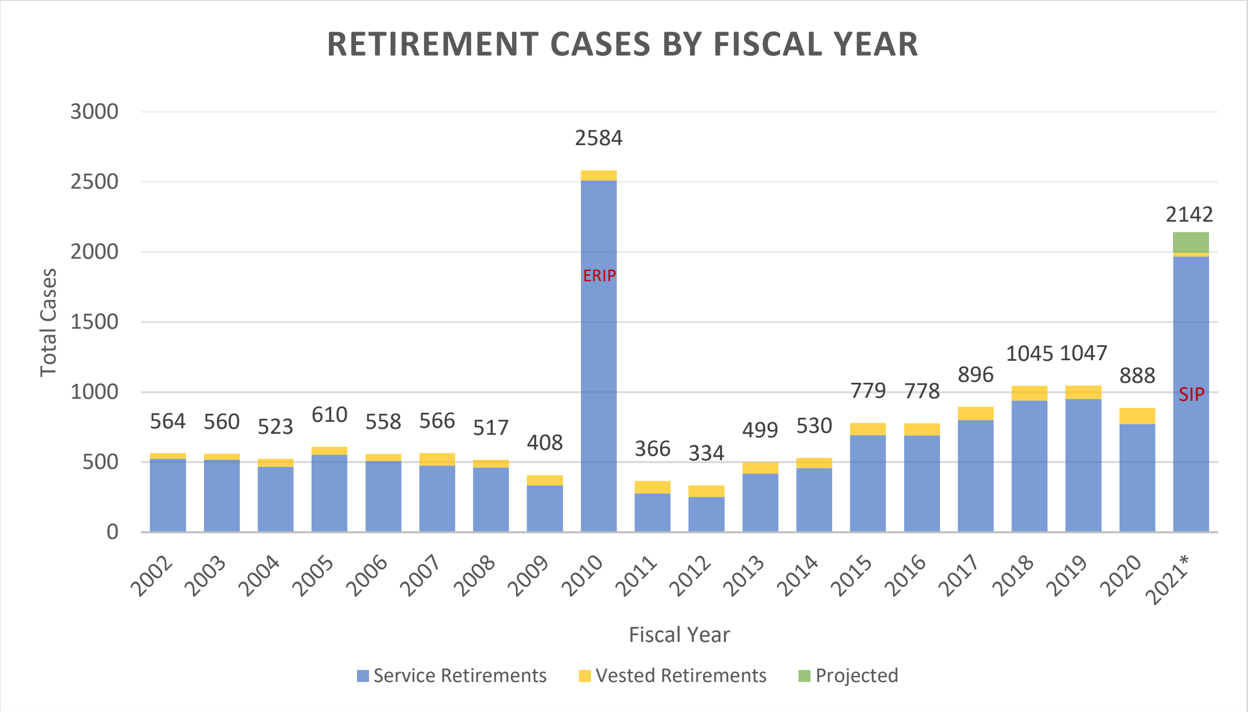
### Commitment to Cybersecurity - $467,292

The proliferation of cybercrime during this widespread and rapid expansion of remote work affects the global environment. The FY22 objectives focus on procuring cyber security insurance; promoting staff education on this topic; and enhancing policies, procedures, and protocols to prevent and mitigate cyber threats. Further, advancements of our cyber security systems will be augmented with an external audit/assessment of our cyber strength. The investment in cybersecurity includes:

| | |
|---|---|
| • Chief Information Security Officer | $140,000 |
| • Cybersecurity Insurance | $100,000 |
| • Cyber Audit/Assessment | $ 85,000 |
| • Subscription – Gartner | $ 41,200 |
| • Mobile Workforce BPI – Cybersecurity Phase | $101,092 |

### Multi-Year Plan to Increase Regular Positions – On-Hold Post-CSIP

Retirements have doubled over the past decade, but staffing has not kept pace. Reorganization, reengineering and innovation efforts have improved efficiencies but not enough to offset the increased workload. The FY22 budget scales back the multi-year plan to increase regular position authorities commensurate with increased workloads as timing is not ideal to bring on additional regular staffing given financial considerations and lingering uncertainty about what the future holds in terms of possible workforce, workload, or other impacts resultant from the City's fiscal situation. Instead, substitute authority positions will be used to provide immediate and short-term capacity to continue to address the post- CSIP workload deriving from the various SIPs, and the on-going increases in retirements.



LACERS' employees are our greatest asset but also our greatest expense, accounting for 80% of the department budget. Investment in additional staff capacity to meet the workload ensures Members retirement decisions are well informed, lifetime retirement benefits are accurate, and they have the health coverage that best meets their needs. Funding for additional staffing also signals continued support for existing staff, acknowledging their call for assistance, and recognizing their valuable experience, and the deep knowledge of the Los Angeles Administrative Code, Internal Revenue Code, labor agreements, benefits case law, and other regulatory and statutory requirement that are vital to accurately calculate the Members' benefits. The FY22 budget makes a significant but necessary investment in four regular positions and 23 substitute positions. Twenty of these positions provide direct services to Members, six positions provide indirect service to Members or are administrative in nature, and one substitute authority position accommodates the Wellness Coordinator whose salary is reimbursed by funds provided by the health carriers.

Substitute authority positions are dispersed to various programs throughout the department, to meet the FY22 workplan:

1. **Member Caseload & Clean Up**
   Retirement case processing was expedited to meet the SIP timelines, therefore making it imperative to audit all SIP cases to ensure that Members' benefit calculations are complete and accurate. These positions will also assist with the Harbor SIP and processing of retirements held in abeyance.

   - 5 substitute authority positions, funded for six months for Service Retirement Unit
   - 1 substitute authority positions, funded for six months for Benefits Determination Unit
   - 1 substitute authority position, funded for six months for Legal Processing Unit

2. **Service Purchase Backlog**
   Due to casework placed on hold during CSIP, the backlog of service purchase applications will reach an all-time high of 1,800. The total projected caseload for the year is 3,500, while the current staff and

additional staff can complete 2,600 cases. Backlogs can be reduced further through use of overtime. The objective of the Section is to reduce the application queue time from 12 months to 8 months (pre-CSIP levels).

- 5 substitute authority positions, funded for 12 months for the Service Processing Section

3. **Medical Plan Enrollments**
   Increased numbers of retirees correspond to increased requirements for Retiree Health Plan Enrollments.

   - 1 regularized substitute authority position, funded for 12 months, added to avoid on-going overtime
   - 1 substitute authority position, funded for 12 months to process medical plan enrollments
   - 1 substitute authority position, funded for three months to process medical plan enrollments

4. **Medicare Compliance**
   Completion of Medicare enrollments are required within 30 days of their initiation. Dedicated staffing assigned to resolve issues will ensure timely completion of enrollment.

   - 1 regular position, funded for 12 months to assist Members with complicated Medical non-compliance issues

5. **Medical Premium Reimbursement Program** (MPRP)
   Timely processing of medical claims reimbursement are necessary as many Members rely on reimbursements to pay upcoming premiums. These positions are added to the Account Reconciliation Unit.

   - 1 substitute authority position funded for 12 months to process the increased and time-sensitive number of MPRP claims
   - 1 substitute authority position, funded for three months to review monthly Medical Part B payroll discrepancy reports

6. **Health Benefits Administration & Wellness – Various**
   Health Advocates provide counseling to Members and assist them with their health benefits, enrollment options, and assist in resolving claims issues. The Wellness Coordinator plans and implements wellness activities for LACERS Retirees.

   - 1 substitute authority position, funded for 12 months in the Health Advocacy Unit
   - 1 substitute authority position funded for three months to assist with counseling in Health Plan Enrollment
   - 1 substitute authority position, funded for 12 months to serve as Sr. Project Coordinator for the Wellness Program, a position reimbursed by the health carrier funds

7. **Member Services**
   The section aids digital transformation efforts for staff, through Tech Talk Trainings and Labs; and for Members, with the launch and promotion of the Retirement Application Portal and new features such as our website and other projects to enhance users' abilities to leverage technology.

   - 1 regular position, funded for 12 months to oversee the Member Services Center
   - 1 substitute authority position, funded for 12 months in the Member Engagement Unit

## 8. General Administration

The FY22 budget continues funding for three filled substitute authority positions, and regularization of one substitute authority position demonstrated to fulfill an on-going need.

- 1 substitute authority position, funded for 12 months to assist with special Executive projects
- 1 substitute authority position, funded for 12 months to assist with monitoring news and coordinating special events
- 1 regularized substitute authority position, funded for 12 months in the Fiscal Division to handle the increase in benefit payroll processing
- 1 substitute authority position, to be filled in-lieu with an existing Management Aide funded for 12 months in the Administration Division to monitor and report on budget status, council and legislative matters, and ensure timely Board report processing

Current vacancies were evaluated to identify whether filling vacancies would suffice as an alternative to activating 23 substitute authority positions. At this time, all vacant regular positions in the same classification as substitute authority positions, are filled, except five positions being held vacant for incumbents serving in an emergency appointment position within LACERS. We will continue to monitor the City's financial situation throughout the year and revaluate the probability of City layoffs. If the situation improves, we may return to the Board to regularize additional positions. Conversely, if the situation worsens, there are nine substitute authorities positions that were filled on a limited basis that can provide LACERS flexibility in an uncertain environment. We endeavor however to place limited authorities into regular positions when possible.

| | **Substitute Authorities** | | | **Regular** | | | **Grand Total** | **Notes** |
|---|---|---|---|---|---|---|---|---|
| | **Filled** | **Vacant** | **Total** | **Filled** | **Vacant** | **Total** | | |
| **ACCOUNTING CLERK** | 3 | | **3** | 10 | **2** | 12 | 15 | *1 sub (3 mo. funding) for Health Benefits Reconciliation, 2 subs for processing of Service Purchases<br>*2 regular position vacancies held while incumbents are on emergency appts to BS class within LACERS |
| **ADMINISTRATIVE CLERK** | 1 | | 1 | 9 | | 9 | 10 | Executive Division |
| **BENEFITS ANALYST** | 5 | 1 | 6 | 26 | | 26 | 32 | 3 subs (@ 6 mo. funding) for Retirement Services; 1 sub each: Health Div. (@3 mo. funding), Service Processing, Member Services |
| **BENEFITS SPECIALIST** | 3 | 6 | **9** | 29 | **3** | 32 | 41 | *4 subs (3 @ 6 mo. funding) for Retirement Services; 3 subs (1 @ 3mo. funding) for Health Div.; 2 subs for Service Purchases<br>*The 3 regular position vacancies on hold while incumbent on emergency appointment to BA class within LACERS |
| **MANAGEMENT ANALYST** | 1 | 1 | **2** | 6 | | 6 | 8 | *1 sub activated for Management Aide bridge opportunity (filled); 1 sub for Health Reconciliation |
| **SR MGMT ANALYST I** | 1 | | 1 | 2 | | 2 | 3 | Executive Division Special Projects: Sr. Personnel Analyst Position held vacant to fund this position |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **SR PROJECT COORDINATOR** | 1 | | 1 | | | | 1 | Wellness Program - Reimbursed by Carrier Funds |
| **Grand Total** | **15** | **8** | **23** | | | | | |

## Asset Allocation and Investment Management Fees and Expenses

The Investment Management Fees for FY22 are calculated based on fees in investment management contracts, mostly asset based, and a projection of the market value in each asset class for FY22. For the budget purposes, the asset valuation used for the computation of investment management fees for FY22 is the average of the estimated market value as of June 30, 2022[1] and the adjusted market value as of June 30, 2021.

The Board adopted a new Asset Allocation Policy on May 11, 2021. The Chief Investment Officer reviewed the re-weight of the assets and determined the estimated Investment Management fees can move forward without change, given the pacing plan to achieve the asset allocation targets will have very slight impact to the fees in FY22.

## Strategic Plan Impact Statement

This budget includes funding for FY22 initiatives to meet LACERS seven strategic goals.

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NG/TB/DWN

Attachments:
1. LACERS Performance Budget Report for Fiscal Year 2021-22
2. Proposed Budget, Personnel, and Annual Resolutions

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[1] The estimated market value is calculated as the adjusted market value as of June 30, 2021 multiplied by the market value assumptions from NEPC as of December 2020.

**BOARD** Meeting: 05/25/21
Item VI – A
Attachment 1

FY 2021-22

Board Presentation of May 25, 2021

# LACERS PERFORMANCE BUDGET

# LACERS

# PERFORMANCE BUDGET

Proposed

## Introduction & Budget Overview 01

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

## Administrative Expense Budget 03

This section details 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.

## Annual Business Plan For 2021-22 09

This section provides an overview of the programs, projects, and business plan initiatives (BPI) in LACERS' annual workplan.

## City Contribution 25

This section provides insight to the City Contribution which funds the cost of the LACERS' defined benefit, LACERS' health and welfare programs, the Limited Term Retirement Plan for Elected Officials, the Excess Benefit Program, and the optional Family Death Benefit Program.

## Investment Management Fees & Expenses 28

This section provides an overview of the costs associated with the administration of LACERS Investment Program.

# INTRODUCTION

The LACERS Fiscal Year 2021-22 (FY22) Budget was prepared with prudence, mindful of the City's fiscal crisis. Wherever possible, existing personnel and financial resources were identified to implement the continuing FY22 Business Plan prior to putting forth requests for new positions and expense items. Funding for the coming year continues our investment in enhancing remote and virtual technologies to expand LACERS' remote working capability, business continuity plans, and the Member Experience. It is imperative to continue our investment in these areas as we hone, improve, and augment these strategies, building on recent successes. Notably, efforts to expand functionality of LACERS' virtual call center and the developing retirement application portal continue, as well as work to implement a critical upgrade to the Pension Administration System and to integrate with the City's new Human Resources Payroll system. Otherwise, the addition of major new projects has been placed on hold while operational efforts focus on completing outstanding Member retirements and casework compounded during the City Separation Incentive Program (CSIP) implementation. The FY22 Business Plan will also focus on the move to the new headquarters (HQ) which will require widespread assignment of staff resources, including dedicated efforts of our Systems group to build out a new technology environment.

Further, this FY22 Budget conscientiously scales back the multi-year plan to increase regular position authorities commensurate with increased workloads. Four new regular staff are added this year to assist with Medicare compliance, and address the increase in workload in the Fiscal Division and Member Services Section. Timing is not ideal to bring on additional regular staffing given financial considerations and lingering uncertainty about what the future holds in terms of possible workforce, workload, or other impacts resultant from the City's fiscal situation. Instead, 23 existing substitute authority positions, including 18 providing direct service to Members, will provide immediate and short-term capacity to continue to address the workload resulting from the various Separation Incentive Programs, and the doubling of retirements over the past decade. Continuation of the 18 substitute authorities represents retention of 50% of the temporary full-time workforce brought on for CSIP processing. Seventeen employees on loan from other departments will not continue in FY22. The number of new regular positions and continuing substitute authorities will be reconsidered next year when there will be more certainty as to future trends under the "new normal."

| | | FY22 | FY21 | $ change | % change |
|---|---|---|---|---|---|
| City Contribution | | $ 715,507,022 | $ 645,900,502 | $ 69,606,520 | 10.8% |
| Investment Management Fee & Expense | | $ 95,652,261 | $ 91,557,275 | $ 4,094,986 | 4.5% |
| Administrative Expense | Original | $ 32,904,448 | $ 29,948,248 | $ 2,956,200 | 9.9% |
| | Incl. Supplemental | | $ 37,499,812 | $ (4,595,364) | -12.3% |
| Health Care Fund Administrative Expense | | $ 934,000 | $ 853,000 | $ 81,000 | 9.5% |
| Regular Position Authorities | | 177 | 173 | 4 | 2.3% |

# BUDGET OVERVIEW

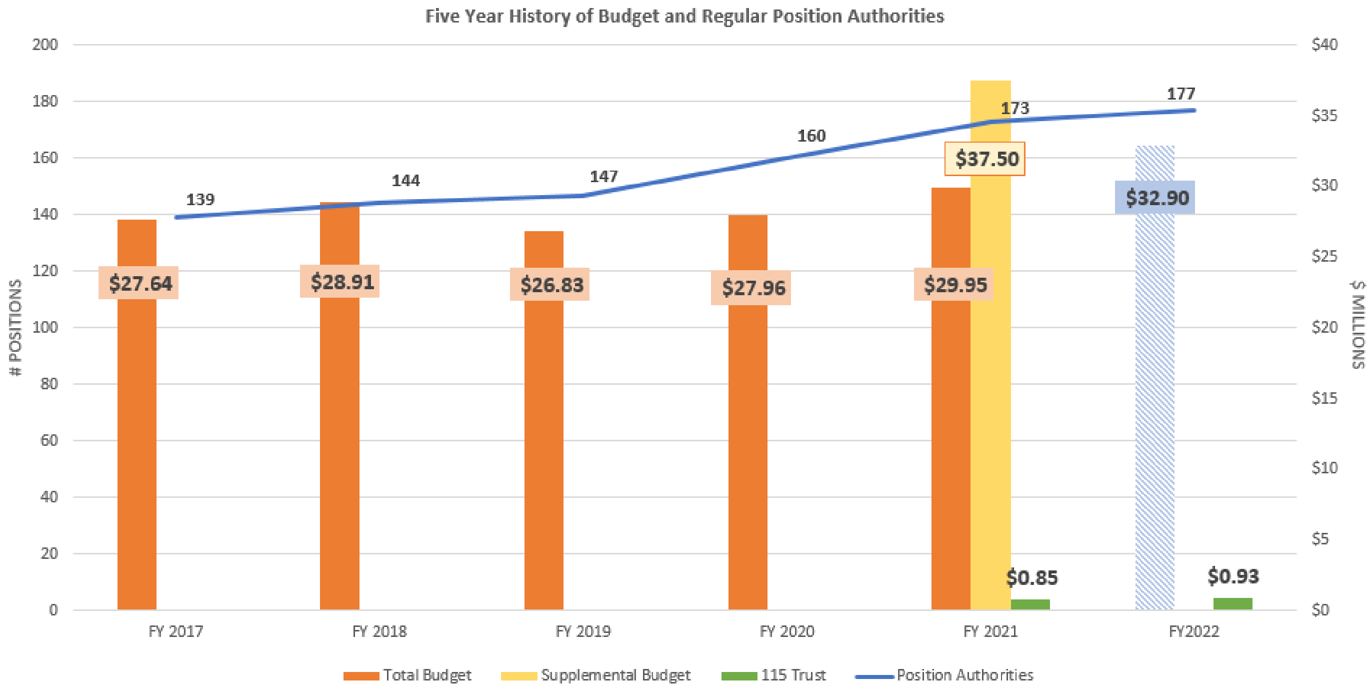
The LACERS Board approves an annual budget which estimates the cost of maintaining the Retirement System. LACERS' budget is transmitted to the Mayor for inclusion in the City's proposed budget, which is due to City Council by April 20, and finalized in June for the fiscal year beginning July 1st. The 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 Health Care Fund Budget ("115 Trust"), 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:

| | | | | |
|---|---|---|---|---|
| CITY CONTRIBUTION | = | CONTRIBUTION RATE<br>Adopted in LACERS Valuation | x | CITY'S COVERED PAYROLL<br>As Adopted by City Council |
| INVESTMENT MANAGEMENT FEES | = | ASSET MANAGEMENT FEES<br>Established in LACERS-Approved Investment Contracts | x | ASSUMED MARKET VALUE OF ASSETS<br>Based on Capital Market Assumptions |
| ADMINISTRATIVE EXPENSE | = | OBLIGATORY CHANGES<br>Salary Increases, Cost-of-Living Increases, Retirement & Benefit Costs, Lease Cost, Legal Fees | + | APPROVED DISCRETIONARY CHANGES<br>New Positions, Programs & Initiatives; Service Enhancements, Salary Savings Rate |
| HEALTH CARE FUND ADMINSTRATIVE EXPENSE | = | OBLIGATORY CHANGES<br>Approved Third-Party Administrator, Audit Contract Fees | | APPROVED DISCRETIONARY CHANGES<br>Program Enhancements |

# ADMINISTRATIVE EXPENSE BUDGET



The Administrative Expense Budget of $32.9 million is net increase of $3.0 million, or 9.9% over the Fiscal Year 2020-21 (FY21) base budget, and ($4.6) million, or 12.3% lower than the FY21 supplemental budget[1]. Obligatory changes to the budget account for $6.0 million in increases since the FY21 budget adopted last May. This includes $1.5 million in Employee benefit and pension costs, $2.5 million for position changes, and $1.5 million to fully-fund positions partially funded in FY21[2] (See Summary of Changes table, page 4). Obligatory costs are offset by the adoption of a 9% salary savings rate equivalent to $1.6 million; $1.3 million savings by partially funding FY22 positions; and $0.9 million in various expense reductions. The Budget invests $4.3 million in core services (excludes personnel costs), and $0.7 million to fund three on-going Business Plan Initiatives (BPI): Member Experience, Mobile Workforce, and City Separation Incentive Program Closeout (See 2021-22 Business Plan, page 17). A supplemental budget for the Headquarters Project BPI will be presented in a stand-alone discussion focused on this major project.

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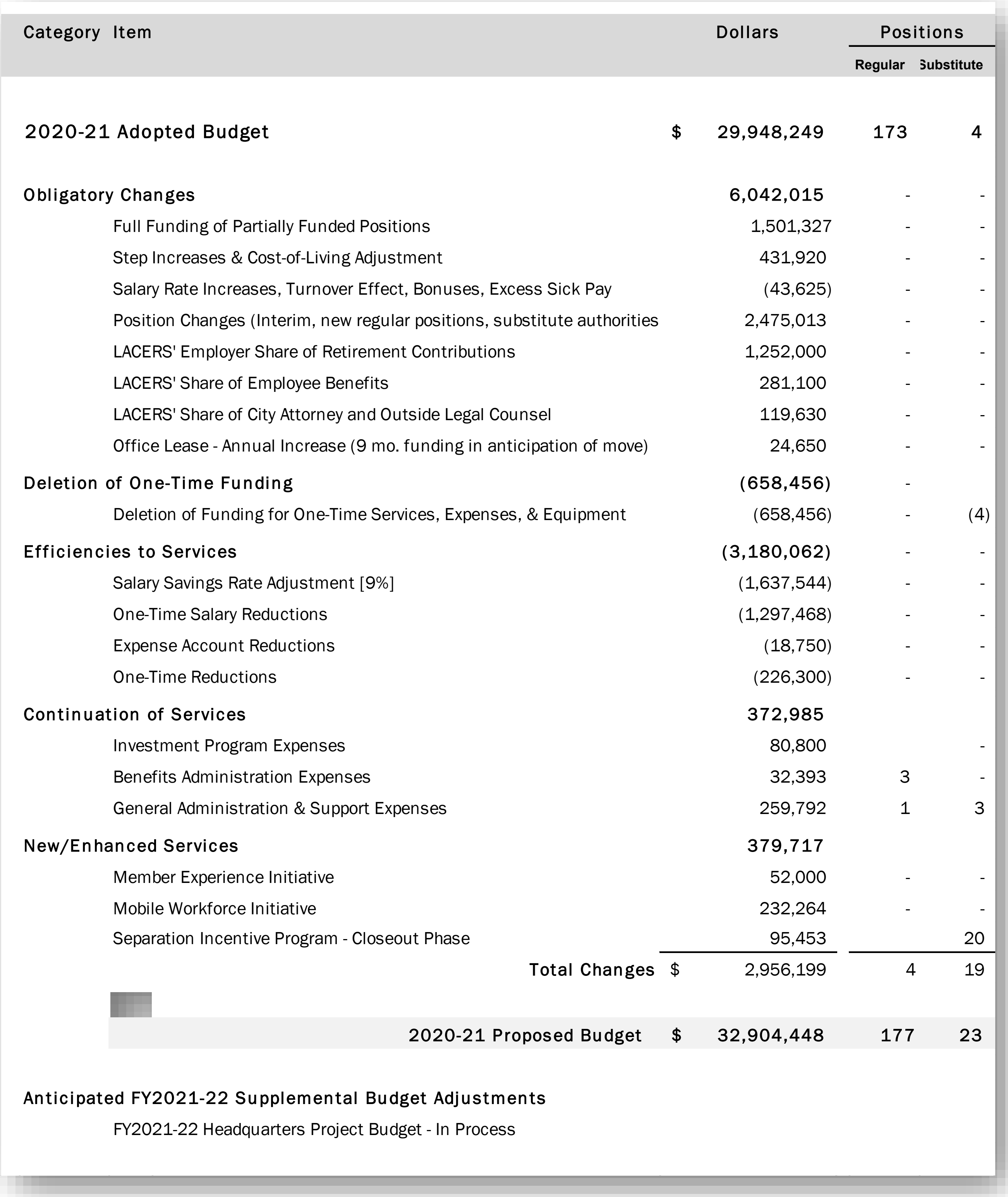
[1] Three supplemental budgets were approved in FY21 including $4.0 million for the Headquarters project (mostly one-time project costs), and $2.4 million to hire and house additional staffing in preparation for CSIP, and $1.2 million for CSIP implementation.

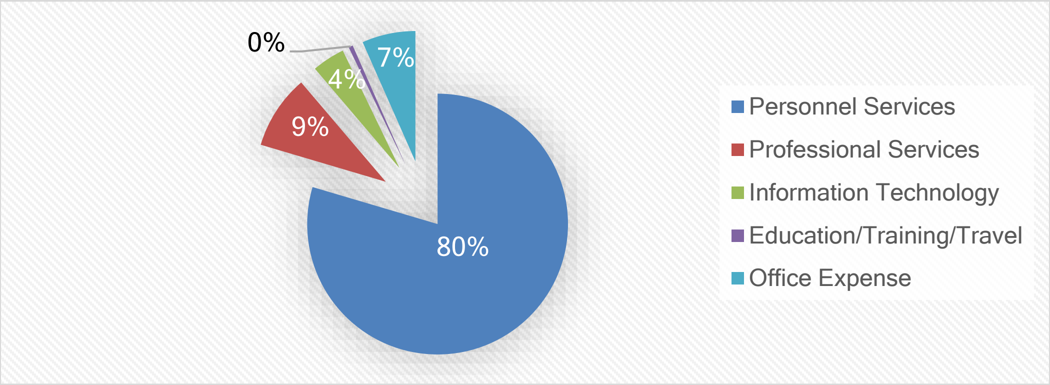
[2] The FY21 Budget adopted in May 2020 provides the basis for the comparative changes in this report. The reported changes against the understated basis do not account for interim budget actions including the significant hiring of substitute authority positions and the elimination of FY21 salary savings. In total, $3.5 million in supplemental appropriations were approved for personnel resources, and various expenses for CSIP. Due to limitations in the budgeting system, these unique circumstances are not well captured in the budget figures, therefore additional explanations are included when needed.

# SUMMARY OF CHANGES



| Category | Item | | Dollars | Positions | |
|---|---|---|---|---|---|
| | | | | Regular | Substitute |
| 2020-21 Adopted Budget | | $ | 29,948,249 | 173 | 4 |
| Obligatory Changes | | | 6,042,015 | - | - |
| | Full Funding of Partially Funded Positions | | 1,501,327 | - | - |
| | Step Increases & Cost-of-Living Adjustment | | 431,920 | - | - |
| | Salary Rate Increases, Turnover Effect, Bonuses, Excess Sick Pay | | (43,625) | - | - |
| | Position Changes (Interim, new regular positions, substitute authorities | | 2,475,013 | - | - |
| | LACERS' Employer Share of Retirement Contributions | | 1,252,000 | - | - |
| | LACERS' Share of Employee Benefits | | 281,100 | - | - |
| | LACERS' Share of City Attorney and Outside Legal Counsel | | 119,630 | - | - |
| | Office Lease - Annual Increase (9 mo. funding in anticipation of move) | | 24,650 | - | - |
| Deletion of One-Time Funding | | | (658,456) | - | |
| | Deletion of Funding for One-Time Services, Expenses, & Equipment | | (658,456) | - | (4) |
| Efficiencies to Services | | | (3,180,062) | - | - |
| | Salary Savings Rate Adjustment [9%] | | (1,637,544) | - | - |
| | One-Time Salary Reductions | | (1,297,468) | - | - |
| | Expense Account Reductions | | (18,750) | - | - |
| | One-Time Reductions | | (226,300) | - | - |
| Continuation of Services | | | 372,985 | | |
| | Investment Program Expenses | | 80,800 | | - |
| | Benefits Administration Expenses | | 32,393 | 3 | - |
| | General Administration & Support Expenses | | 259,792 | 1 | 3 |
| New/Enhanced Services | | | 379,717 | | |
| | Member Experience Initiative | | 52,000 | - | - |
| | Mobile Workforce Initiative | | 232,264 | - | - |
| | Separation Incentive Program - Closeout Phase | | 95,453 | | 20 |
| | Total Changes | $ | 2,956,199 | 4 | 19 |
| | 2020-21 Proposed Budget | $ | 32,904,448 | 177 | 23 |
| Anticipated FY2021-22 Supplemental Budget Adjustments | | | | | |
| | FY2021-22 Headquarters Project Budget - In Process | | | | |

## ADMINISTRATIVE EXPENSE BUDGET (cont.)



This budget year invests heavily in Personnel resources, while completing several Information Technology projects. In the five major categories of expense, Personnel Services expenses account for 80% of the FY22 budget, and 106% of the budget increase. Professional Services expense make up 9% of the budget and 5% of the increase, followed by Office Expense at 7% of the budget, 5% of the increase; Technology at 4% of the budget, -25% of the increase, and finally Education/Training and Travel at less than 1% of the budget allocation and change in budget.

As seen in the Administrative Budget Detail which follows, expense line items with greater than 20% increase represent cost increases for printing services and copier leases, and work on additional projects in the FY22 workplan to advance the Cyber Security effort, complete the Mobile Workforce Initiative, and address the workload caused by CSIP.

- Overtime increases by 45.7%, or $152,377 – Additional overtime funds are allocated to address the backlog of Member cases.
- Employee Benefit increases by 22.4%, or $1.5M – The increase in LACERS' share of the employer contribution for retirement benefits for its department employees coincides with the increase in employer contribution rate. The cost of Medical benefit also increased by 11%.
- Audit services increased by 66.7%, or $80,000 due to a one-time audit relating to Cyber security efforts.
- Other Consulting Services[3] increased by 25.8%, or $57,810, primarily attributed to the engagement of a LACERS Chief Information Security Officer.

[3] Detail of *Other Consulting Services*

| **615** | **Other Consulting** | | **FY22 Budget** |
|---|---|---|---|
| | Chief Information Security Officer | | 140,000 |
| | Disability Medical Evaluation Services - QTC Medical Group | | 50,000 |
| | Benefit Claims Investigation Services - Frasco, Inc. | | 25,000 |
| | Emergency Preparedness Tabletop Exercise – Consultant TBD | | 25,000 |
| | Graphics Designer – RFP in progress | | 15,000 |
| | Video Production Subscription Services – Consultant TBD | | 15,000 |
| | Business Continuity Services - Agility Recovery Solutions Inc | | 11,000 |
| | Board Education Subscription - Cortex Consulting | | 750 |
| | Total Other Consulting | **$** | **281,750** |

## ADMINISTRATIVE EXPENSE BUDGET (cont.)

- Computer Software expenses increase by 23.1%, or $65,656, to provide additional Cyber security software, and for integration of the City's new payroll system with LACERS' pension administration system.
- Transportation Expenses include reimbursement for use of personal vehicles for City business. This is a newly established expense category which is budgeted at $9,500.
- Printing and Binding increases by 36%, or $41,500, primarily due to increase in printing and associated costs for producing the open enrollment materials.
- Telephone and Utility costs increase by 32%, or $14,833, as the department transitions from land lines to mobile phones for all staff. Future cost savings from monthly local and long-distance phone bills, as well as land phone maintenance, will be realized when the transition is complete.
- Office Equipment services increase by 41%, or $18,725, in anticipation of additional copiers at the new building as well as the increase in copier leases and fees under the City's new contract.
- Promotional Supplies increase by 100%, or $2,000, for rebranded items with the new logo.

Additional items to note include:

- Reduction in investments for information technology projects in FY22 signal the completion of the implementation phase of the Mobile Workforce effort.
- The current lease at the Times Building is funded for nine months in anticipation of our move to the new building in the third quarter of FY22. Should the move be delayed, we will return to the Board for a supplemental allocation.
- The budget for the LACERS Health Care Fund ("115 Trust") Administrative Expense is shown in the table following the Administrative Expense Budget. These expenses are paid by the Administrative Expense Budget and reimbursed by the 115 Trust. The 115 Trust Fund was established in 2018 to better manage the future costs and decrease the future tax liability of the LACERS health and welfare benefits. The 115 Trust Budget pays for administrative expenses including third party fees charged for the administration of Self-Funded Dental benefit claims, audit fee, legal counsel cost and the Fund's share in the overall administrative expenses of LACERS. The Proposed 115 Trust Budget of $934,000 is an increase of $81,000 or 9.5% over last fiscal year.
- This budget invests in the continuation of 21 substitute authority positions, 2 new subauthority positions, regularization of 3 subauthority positons, and 1 new position. The purpose of these positions is detailed on pages 9, 11-17.
- The Budget funds current programs underway including the core programs in Benefit Administration, Investment Administration, and General Administration and Support, and three on-going initiatives in the FY22 Business Plan including the clean-up phase of the Separation Incentive Program as highlighted on page 17; the Member Experience Initiative discussed on page 21; the Mobile Workforce Initiative, spotlighted on page 23.

# DETAIL OF ADMINISTRATIVE EXPENSE

| | | City Account Number | FY2021-22 Proposed Budget | FY2020-21 Adopted Budget (May) | Budget $ Change | Budget % Change |
|---|---|---|---|---|---|---|
| **FUND 800: ADMINISTRATIVE EXPENSE BUDGET** | | | | | | |
| **Personnel Services** | | | | | | |
| **601** | Salaries | 101 | $ 17,327,426 | $ 15,875,349 | $ 1,452,077 | 9.1% |
| **602** | Overtime | 109 | 485,823 | 333,512 | 152,311 | 45.7% |
| **605** | Employee Benefits | 175 | 8,362,800 | 6,829,700 | 1,533,100 | 22.4% |
| | **Personnel Services Total** | | **$ 26,185,549** | **$ 23,038,561** | **$ 3,146,988** | **13.7%** |
| **Professional Services** | | | | | | |
| **611** | Actuarial Service | 304 | $ 398,282 | $ 410,600 | $ (12,318) | -3.0% |
| **612** | Audit Services | 304 | 200,000 | 120,000 | 80,000 | 66.7% |
| **613** | Legal Services | 304 | 1,097,622 | 990,492 | 107,130 | 10.8% |
| **614** | Disability Services | 304 | 200,000 | 220,000 | (20,000) | -9.1% |
| **615** | Other Consulting | 304 | 281,750 | 223,940 | 57,810 | 25.8% |
| **616** | Benefit Payroll Processing Servs. | 304 | 247,200 | 230,000 | 17,200 | 7.5% |
| **617** | Retiree Health Adm. Consultant | 304 | 600,000 | 688,000 | (88,000) | -12.8% |
| | **Professional Services Total** | | **$ 3,024,854** | **$ 2,883,032** | **$ 141,822** | **4.9%** |
| **Information Technology** | | | | | | |
| **622** | Pension Adm. System Vendor | 304 | $ 475,797 | $ 428,298 | $ 47,499 | 11.1% |
| **623** | Computer Hardware | 730 | 142,100 | 530,116 | (388,016) | -73.2% |
| **624** | Computer Software | 601 | 350,292 | 284,636 | 65,656 | 23.1% |
| **625** | Computer Maint. & Support | 601 | 307,732 | 452,057 | (144,325) | -31.9% |
| **626** | Other Computer Consulting | 304 | 61,700 | 81,000 | (19,300) | -23.8% |
| | **Information Technology Total** | | **$ 1,337,621** | **$ 1,776,107** | **$ (438,486)** | **-24.7%** |
| **Training & Related Travel** | | | | | | |
| **604** | Employee Development | 601 | $ 78,470 | $ 68,220 | $ 10,250 | 15.0% |
| **634** | Conferences & Travel | 213 | 96,815 | 106,315 | (9,500) | -8.9% |
| | **Training & Related Travel Total** | | **$ 175,285** | **$ 174,535** | **$ 750** | **0.4%** |
| **Office Expenses** | | | | | | |
| **606** | Travel Expenses | 331 | $ 9,500 | $ - | $ 9,500 | 0.0% |
| **631** | Printing and Binding | 212 | 155,500 | 114,000 | 41,500 | 36.4% |
| **632** | Postage | 601 | 180,900 | 172,300 | 8,600 | 5.0% |
| **633** | Telephone and Utilities | 601 | 60,600 | 45,767 | 14,833 | 32.4% |
| **635** | Office Lease | 304 | 1,258,650 | 1,234,000 | 24,650 | 2.0% |
| **636** | Office Equipment Services | 304 | 64,725 | 46,000 | 18,725 | 40.7% |
| **651** | Petty Cash | 601 | 8,000 | 12,000 | (4,000) | -33.3% |
| **652** | Board Member Election Expense | 601 | - | - | - | 0.0% |
| **653** | Furniture and Other Equipment | 730 | 20,000 | 17,000 | 3,000 | 17.6% |
| **655** | Other Office Expense | 601 | 162,560 | 159,256 | 3,304 | 2.1% |
| **656** | Membership Dues & Subscriptions | 601 | 126,204 | 133,690 | (7,486) | -5.6% |
| **658** | Promotional Supplies | 601 | 4,000 | 2,000 | 2,000 | 100.0% |
| **659** | Insurance Expense | 304 | 140,000 | 140,000 | - | 0.0% |
| | **Office Expenses Total** | | **$ 2,181,139** | **$ 2,076,013** | **$ 105,126** | **5.1%** |
| **TOTAL ADMINISTRATIVE EXPENSE BUDGET** | | | **$ 32,904,448** | **$ 29,948,248** | **$ 2,956,200** | **9.9%** |
| **FUND 871: 115 TRUST ADMINISTRATIVE EXPENSE BUDGET** | | | | | | |
| **612** | Audit and Consulting CPA | 304 | $ 10,000 | $ 10,000 | $ - | 0.0% |
| **613** | Legal | 304 | 60,000 | 60,000 | - | 0.0% |
| **660** | Self-Funded Insurance Admin Fee | 304 | 864,000 | 783,000 | 81,000 | 10.3% |
| **TOTAL 115 TRUST ADMINISTRATIVE EXPENSE BUDGET** | | | **$ 934,000** | **$ 853,000** | **$ 81,000** | **9.5%** |

# SUMMARY OF CHANGES IN PERSONNEL

This table provides a look at the distribution and movement of personnel in the department among its business units.

| DIVISION/SECTION | 2020-21 Adopted Budget | Proposed Changes | | | | 2021-22 Proposed Budget | 2021-22 Proposed Substitute Authorities | | |
|---|---|---|---|---|---|---|---|---|---|
| | Regular Authorities | Reallocate | Transfers | Regularize Substitute Authorities | New | Regular Authorities | Cont. | New | Total |
| | | | | | | | | | |
| Executive | 7 | | | | | 7 | 2 | | 2 |
| Investments | 12 | | | | | 12 | | | |
| Human Resources | 5 | | | | | 5 | | | |
| Internal Audit | 3 | | | | | 3 | | | |
| Retirement Services | 48 | | | | | 48 | 6 | 1 | 7 |
| Health Benefits Administration & Wellness | 37 | | -17 | 2 | | 22 | 7 | | 7 |
| Member Services | | | 16 | | 1 | 17 | 1 | | 1 |
| Active Member Accounts & Member Stewardship | | | +9/-1 | | | 8 | | | |
| Administration | 26 | | | | | 26 | 5 | 1 | 6 |
| Fiscal Management | 13 | | +1 | 1 | | 15 | | | |
| Systems | 11 | | | | | 11 | | | |
| Systems Operations Support | | | +4/-1 | | | 3 | | | |
| Administrative Operations | 11 | | -11 | | | | | | |
| Total | **173** | 0 | 0 | 3 | 1 | **177** | 21 | 2 | **23** |

# ANNUAL BUSINESS PLAN FOR 2021-22

| Department Programs | Annual Work Plan and Business Plan Initiatives for FY22 |
|---|---|
| **INVESTMENTS ADMINISTRATION**<br>Positions: 12<br>Admin. Expenses: $96,515 | • Asset Allocation Policy Review<br>• Asset Allocation Implementation<br>• Environmental, Social and Corporate Governance |
| **BENEFITS ADMINISTRATION**<br>Positions: 99 Regular \| 20 Substitute Authorities<br>Admin. Expenses: $1,748,266 | • **Separation Incentive Program Initiative – Year 2**<br>• **Member Experience Initiative – Year 3**<br>• Service Purchase Backlog<br>• Tax Compliance Review - IRS Determination Letter<br>• Health Plan & Medicare Enrollment Backlog<br>• Wellness Program Small In-Person Events |
| **GENERAL ADMINSTRATION AND SUPPORT**<br>Positions: 66 Regular \| 3 Substitute Authorities<br>Admin. Expenses: $2,222,167 | • **Headquarters Initiative – Year 2 (funding TBD)**<br>• **Mobile Workforce Initiative – Year 2**<br>• Actuarial Funding Policy Review<br>• Cyber Security Efforts<br>• Learning Management System (Employee Training Portal)<br>• Digital Staff Resources<br>• Internal Audit Plan Implementation (Year 1 of 3)<br>• Business Continuity Plan Comprehensive Revision<br>• Department-wide Policy Management Framework<br>• PAS Upgrade and City Payroll System Integration |

# FY22 BUSINESS PLAN – ENHANCEMENTS | NEW AND SUBAUTHORITY POSITIONS

The FY22 Budget includes funding for four new Regular Positions and 23 Substitute Authority Positions. Details of the positions and their impact are discussed in this section.

## CSIP INITIATIVE | POST-CSIP MEMBER CASELOAD & CLEAN UP

- Retirements have steadily increased since 2013; staffing in the Retirement Services Divisions has not increased proportionally.
- Pre-CSIP retirement 3-year average is 1,000 cases utilizing 50 FTEs throughout RSD. At 50 FTE staff capacity is 80 retirements per month plus 40 ancillary cases per month.
- Expedited processing of approximately double the amount of average annual cases, using only 27 temporary staff necessitates auditing of 100% of the CSIP cases to ensure accuracy of the benefit calculations.
- 921 Member deaths in 2020 represent an increase by 20% over last year. 3,000 Members are over age 80. Survivor Benefits Unit staff may not have availability to provide back-up to Service Retirement Unit in processing retirement cases.

| FY22 NEW POSITIONS / CONT. SUBAUTHORITIES | PERFORMANCE OBJECTIVES |
|---|---|
| ✓ 2 Benefits Analysts, substitute authority position, 6-months funding \| Service Retirement Unit<br>✓ 3 Benefit Specialists, substitute authority position, 6-months funding \| Service Retirement Unit<br>✓ 1 Benefits Analyst, substitute authority position, 6-months funding \| Member Support<br>✓ 1 Benefits Specialist, substitute authority position, 12-months funding \| Legal Processing | These additional staff will augment existing staff to achieve the RSD FY22 goals of:<br>➢ Audit 100% of the CSIP cases at 150 CSIP cases/month<br>➢ Complete 100% of the 82 Harbor SIP Retirements by Dec 2021<br>➢ Process 100% of the retirement applications on time<br>• 150 total retirement applications/month |

## CSIP INITIATIVE | SERVICE PURCHASE BACKLOG

- Members wait an average of 12 months in the queue before their service purchase application is processed, up from 8 months prior to CSIP.
- Current staff capacity is only sufficient to complete 72% of the caseload.
- The average number of applications received is 2,500 while the average annual staff processing capacity is 1,800 from FY15 to FY21.
- Data from the past six years reveals an average gap of 700, or 28% of the average annual caseload is carried over into the next year

| FY22 NEW POSITIONS / CONT. SUBAUTHORITIES | PERFORMANCE OBJECTIVES |
|---|---|
| ✓ 1 Benefits Analyst, substitute authority position, 12-months funding \| Service Processing Section<br>✓ 2 Benefits Specialists, substitute authority positions, 12-months funding \| Service Processing Section<br>✓ 2 Accounting Clerks, substitute authority position,12-months funding \| Service Processing Section | These additional staff will:<br>➢ Reduce Member wait time from 12 months to 8 months at the end of the FY<br>➢ Complete 100% of the 864 buyback cases assigned to the subauthority team<br>○ Total capacity with existing and temporary staff will be 2,592 cases<br>○ Backlog will remain, projected at 960 cases to carryover to FY23 |

## SERVICE LEVEL ENHANCEMENT | MEDICAL PLAN ENROLLMENTS

- 97.4% increase in annual average retirees: 2001-2014 is 529; 2015-2019 is 909.
- 17% increase in covered lives since 2015.
- 19% increase in Medicare Plan enrollments since 2015.
- Greater than 50% increase in enrollment activity since 2015.
- Among highest overtime usage in dept. FY20 overtime costs was $19,140 and FY21 was $22,572 resulting in 18% increase. Compounding overtime expenses begin to outweigh the salary savings of avoiding the addition of new positions.

| FY22 NEW POSITIONS / CONT. SUBAUTHORITIES | PERFORMANCE OBJECTIVES |
|---|---|
| ✓ 1 Benefits Specialist, regular position, 12-months funding \| Health Plan Enrollment Unit<br>✓ 2 Benefits Specialists, substitute authority positions, 12-months funding \| Health Plan Enrollment Unit | These additional staff will:<br>➢ Enroll 100% of retirees in medical plans<br>➢ Reduce overtime usage in Enrollment Unit<br>○ Target: Maximum 150 hours per staff Baseline: 210 hours<br>○ Target: Maximum 50 hours for Unit Baseline: 105 hours |

## SERVICE LEVEL ENHANCEMENT | MEDICARE COMPLIANCE UNIT

- A dedicated Benefits Analyst will provide continued and uninterrupted support in resolving non-compliance Medicare issues that are complex and time-sensitive in nature. Enrollments must be processed within 30 days of their initiation, with no margin of error. No back log can be created. Ensures targeted deadlines are met.

| FY22 NEW POSITIONS / CONT. SUBAUTHORITIES | PERFORMANCE OBJECTIVES |
|---|---|
| ✓ 1 Benefits Analyst, regular position, 12-months funding \| Medicare Compliance | ➢ Resolve Medicare non-compliance issues in 6 weeks<br>○ Baseline in 8 weeks |

## SERVICE LEVEL ENHANCEMENT: MEDICAL PREMIUM REIMBURSEMENT PROGRAM (MPRP)

- Management Assistant is needed to process the ever-growing MPRP claims that are time sensitive as Members are dependent on these reimbursements to pay for upcoming premiums. Provides support to the unit supervisor by relieving and reducing the workload and other staff members who had otherwise absorbed these duties.
- Accounting Clerk provides additional support to the Health Account Reconciliation Unit in reviewing monthly Medical Part B payroll discrepancy reports known to be time consuming requiring research and follow-up.

| FY22 NEW POSITIONS / CONT. SUBAUTHORITIES | PERFORMANCE OBJECTIVES |
|---|---|
| ✓ 1 Management Assistant, substitute authority position, 12-months funding \| Health Account Reconciliation<br>✓ 1 Accounting Clerk, substitute authority position, 3-month funding \| Health Account Reconciliation | These additional staff will:<br>➢ Review 100% of MPRP claims submitted (avg of 240 claims per quarter)<br>➢ Develop premium & subsidy tables for Annual Renewals<br>➢ Complete 100% of annual and monthly adjustments to Medicare Part B |

## SERVICE LEVEL ENHANCEMENT | HEALTH BENEFITS ADMINISTRATION & WELLNESS - VARIOUS

- Sr. Project Coordinator (exempt position) is instrumental in overseeing the development of annual campaigns and strategic plans to increase awareness of and participation in disease prevention. Manages programs and resources available through our health carriers and other organizations, as well as to motivate healthy behaviors through communications, educational events, and the wellness champion network.
- Benefits Analyst provides all around additional support in Health Advocacy and Health Plan Enrollment in counseling Members with the CSIP/Harbor retirements and anticipated retirements due to the CSIP abeyance period.
- Benefits Specialist in Health Advocacy assists with counseling Members regarding their health benefits and plan options; assists Members in the resolution of claims issues. Continuing support of workload due to CSIP/Harbor retirements and anticipated retirements due to the CSIP abeyance period.

| FY22 NEW POSITIONS / CONT. SUBAUTHORITIES | PERFORMANCE OBJECTIVES |
|---|---|
| ✓ 1 Sr. Project Coordinator, substitute authority position, 12-months funding \| Wellness<br>✓ 1 Benefits Analyst, substitute authority position, 3-months funding \| Health Services<br>✓ 1 Benefit Specialist, substitute authority position, 12-months funding \| Health Advocacy | These additional staff will support the increase in workload due to increase in retirements.<br>➢ Strategic planning on current and future wellness campaigns<br>➢ 36% increase in advocacy workload from 2018 to 2019 with anticipated increases after CSIP and the abeyance period |

## SERVICE LEVEL ENHANCEMENT | MEMBER SERVICES

- The Senior Benefits Analyst I will manage the Member Services Center (MSC) and provide leadership to promote the digital transformation of our organization through managing the following projects:
    - Tech Talk Trainings and Labs for staff to increase capabilities to utilize new applications and software, creating efficiencies in staff's workload, leading to improved service to Members.
    - Launch, continued improvement, and promotion of the Retirement Application Portal, a web-based platform inclusive of smart and contingent fields that eliminate redundancy, errors, and the resultant waste of staff resources.
    - Onboarding of new platforms like Chatbot, live chat, and optimization of Amazon Connect functionality to provide our Members with on-demand points of access and information outside of working hours.
    - Providing leadership to continue digitizing and improving department processes, focused on addressing issues by connecting resources and personnel who can leverage technology.
- Benefits Analyst has been instrumental in shifting to a virtual presence. Assists with the demand for print and digital content for our Members and intra-departmental units; creates scripts, including recording and editing of videos for member benefit information; Presents webinars on retirement benefits; Creates e-tools to target the various populations in our membership; Serves as lead staff on several departmental campaigns such as Deferred Vested notification of benefits.

| FY22 NEW POSITIONS / CONT. SUBAUTHORITIES | PERFORMANCE OBJECTIVES |
|---|---|
| ✓ 1 Sr. Benefits Analyst I, regular position, 9-months funding \| Member Service Center | The additional staff will assist Member Services in achieving the following metrics: |

| | |
|---|---|
| ✓ 1 Benefits Analyst, substitute authority position (filled) \| Member Engagement | ➢ 20% reduction in processing time for administering benefits due to streamlined processes and communication<br>➢ 80% of retirement applications utilizing the Retirement Application Portal<br>➢ 20% increase in Member attendance at Department requested Planning for Retirement Seminars<br>➢ 30% of website visitors using the Chatbot<br>➢ 10% increase in views on YouTube channel |

## SERVICE LEVEL ENHANCEMENT: GENERAL ADMINISTRATION

- Sr. Management Analyst will provide direct support to the General Manager, independently perform complex administrative projects, researching, preparing reports, presentations, and among other assignments as needed.
- Administrative Clerk position has been instrumental in informing Executive Staff, Board Members and other stakeholders about issues affecting LACERS, the City of Los Angeles, Institutional Investments, global and local retirement news. Serves as the key liaison with the media monitoring contractor, provides invaluable clerical assistance to the Public Information Director and Executive Assistants, as necessary. More than 200 articles to 99 recipients in FY21.
- Fiscal Benefits Analyst - Regularizing the Benefits Analyst position will ensure the Unit maintains a lead staff who has the technical proficiency in various benefit payment-related functions as well as in implementing changes in federal and state tax reporting requirements. benefit payroll. Workload increase stats: benefit payroll increased from 244,000 in FY19 to 280,000 in FY22; Member insurance records increased from 477,000 in FY19 to 627,000 in FY22.
- Management Analyst position is filled with a Management Aide, holding a regular Sr. Administrative Clerk position vacant. This will allow opportunity for incumbent clerical staff to bridge to the management series.

| FY22 NEW POSITIONS / CONT. SUBAUTHORITIES | PERFORMANCE OBJECTIVES |
|---|---|
| ✓ 1 Sr. Management Analyst, substitute authority position, 12-months funding \| Executive<br>✓ 1 Administrative Clerk, substitute authority position, 12-months funding \| Executive | These additional staff will:<br>Sr. Management Analyst will<br>➢ Meet 100% of the milestone deadlines related to: |

|   |   |
|---|---|
| ✓ 1 Benefits Analyst, regularize substitute authority position, 12-months funding \| Fiscal – Benefit Payment Unit<br>✓ 1 Management Analyst, substitute authority position, 12-months funding \| Administration Division | ○ Gender equity reporting to the Mayor<br>○ Development & reporting on racial equity plans<br>➢ Achieve 90% of the target for employee training compliance.<br>Administrative Clerk will<br>➢ Meet 100% of the milestone deadlines for milestones related to:<br>○ Distribution of news clippings<br>○ Clerical support in coordinating activities and events<br>Fiscal Benefits Analyst will<br>➢ Meet 95% of the deadline targets relating to:<br>○ 15% increase in benefit payroll<br>○ Complete 31% increase in Member insurance records<br>○ Address 9% increase in issued 1099Rs<br>○ Complete 58% increase in lumpsum payroll<br>○ 46% increase in Void, Reissuance and Repayments<br>Management Aide will<br>➢ Achieve 90% target to issue weekly budget status report on Mondays<br>➢ Achieve 90% compliance with bi-weekly Board Report processing deadlines<br>➢ Achieve 90% success rate to meet weekly City Council and Legislative Tracking deadlines |

# BPI | SEPARATION INCENTIVE PROGRAM – Year 2 (Closeout)

## ADVANCES THE STRATEGIC PLAN GOALS TO DELIVER MEMBER BENEFITS TIMELY AND ACCURATELY AND PROVIDE OUTSTANDING CUSTOMER SERVICE

| FY 2021-22 BUDGET REQUEST | | |
|---|---|---|
| | Expense | Positions |
| **Total Request** | **$355,889** | **11** |
| Part-time salaries | 282,889 | |
| Overtime | 70,000 | |
| Equipment | 3,000 | |

| IMPACT |
|---|
| TO ENSURE QUALITY STANDARDS FOR TIMELY AND ACCURATE BENEFITS PROCESSING POST-CSIP |

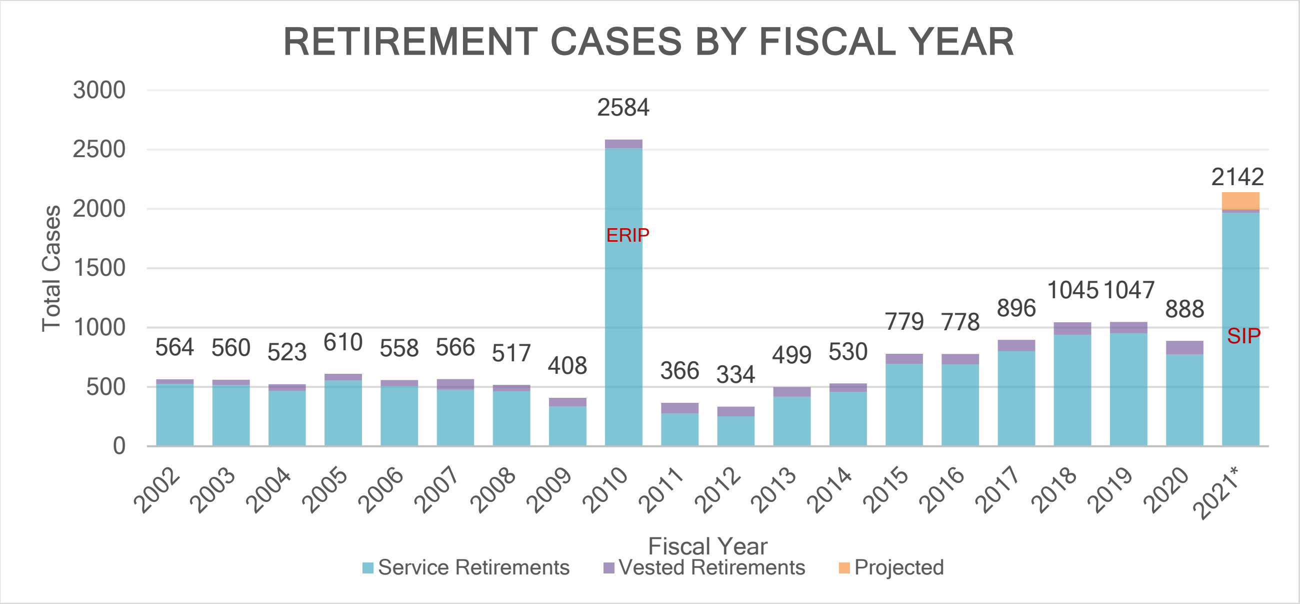
### PURPOSE

While the LAWA and City SIP retirements are completed, the Harbor SIP, post-SIP work and additional backlog resulting from the SIP will be addressed with these additional 11 full-time positions, 14 part-time positions, and overtime to extend the capacity of existing staff in the Retirement Services Division and the Service Processing Section.

In FY21, retiring CSIP Members followed a schedule established with the City Administrative Office. The number of retirees to be processed for the year represented a 100% increase over the average number of retirements over the past three years, while the three-year average is double the average retirements 10 years ago. While temporary staffing was provided for CSIP, fewer resources were secured than planned, necessitating cases to be completed in an expedited manner. Therefore, audits of 100% of the 1,700 SIP retirement cases is planned for FY22 to ensure the accuracy of these lifelong benefits. The seven additional substitute authority positions, funded for six-months, are provided to Retirement Services Division to complete these audits and related CSIP case closeout work. Several potential challenges to the ability to complete these audits before funding for these positions end include assistance with retiring 80 Members under the Harbor SIP by December 2021; the unknown impacts of the testing and launch of the new service Retirement Application Portal (RAP); and whether there will be an uptick in retirements, as City employees consider the impacts of the past year and returning to the workplace. Of the 27,490 Active LACERS Members, 25% (6,873) are eligible to retire, with 14% or 3,849 eligible for normal retirement.

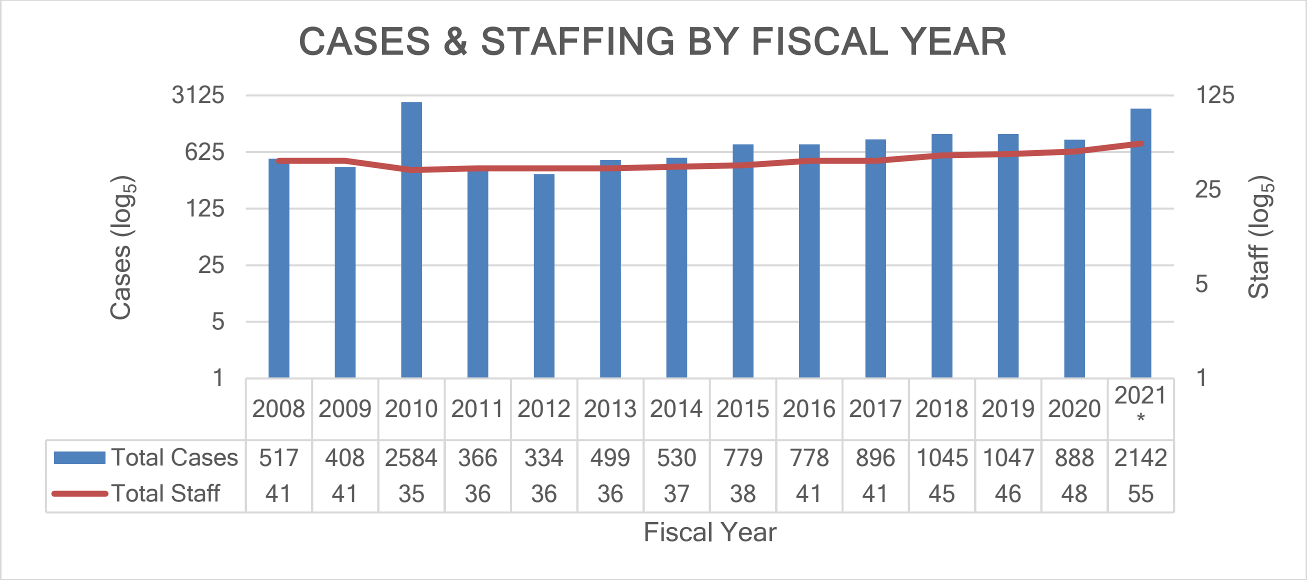
## BPI | SEPARATION INCENTIVE PROGRAM – Year 2 (cont.)

Retirements in the City of Los Angeles have steadily been increasing. Since 2015, the number of retirements processed have doubled to over 1,000 Members annually.



**FY2021 data does not encompass the full fiscal year. Numbers are unaudited. The 2021 total retirement is a projected number based on current applications received. This number may change, since non-SIP Members can withdraw their retirements before their retirement date.*

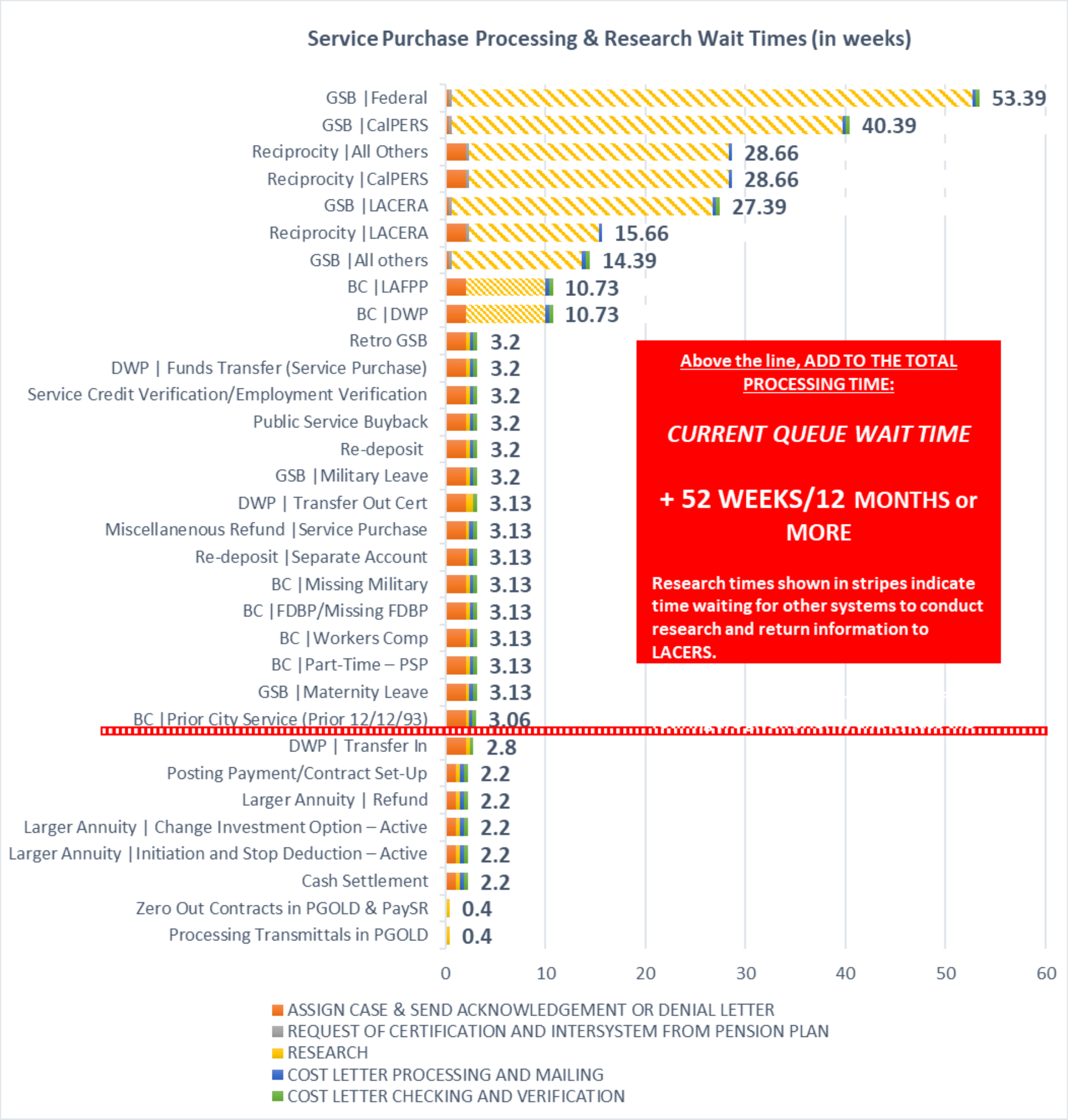
The graph shows the increase in retirements outpacing the staffing levels.



| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 * |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Cases | 517 | 408 | 2584 | 366 | 334 | 499 | 530 | 779 | 778 | 896 | 1045 | 1047 | 888 | 2142 |
| Total Staff | 41 | 41 | 35 | 36 | 36 | 36 | 37 | 38 | 41 | 41 | 45 | 46 | 48 | 55 |

## BPI | SEPARATION INCENTIVE PROGRAM – Year 2 (cont.)

Five positions funded the SIP BPI, will also go toward reducing the wait time for Active Members who have elected to increase their retirement benefit by purchase service credits while a part-time City employee, employee on maternity or Military leave, or if they had other governmental service. The backlog of service purchase was exacerbated by placing all requests on hold during SIP except for SIP cases. The additional five positions will reduce the outstanding caseload to pre-SIP levels, and the wait time from 12 months to 8 months in the application queue. After waiting in the queue for their applications to be worked on, the cases will take an additional two weeks to one year to complete, depending on whether research must be conducted by the Member's former governmental agency.



# BPI | SEPARATION INCENTIVE PROGRAM – Year 2 (cont.)

## METRICS

| | |
|---|---|
| **Audits of SIP and non-SIP within the 2020-2021 retirements** | **Target:** Complete 95% of targeted number of monthly audits (150 cases per month/2,056 cases total) |
| **HSIP** | **Target:** By December 2021, complete processing of 100% of HSIP retirements (79 cases identified) |
| **Retirement Processing** | **Target:** Process 99% of established monthly retirement target (100 cases/month)<br>Baseline: 80 cases/month |
| **Reduce Service Purchase Wait Time** | **Target**: Reduce service purchase application queue by 33% (8 months)<br>Baseline: 12 months |

# BPI | MEMBER EXPERIENCE INITIATIVE – Year 3

## ADVANCES THE STRATEGIC PLAN GOALS TO PROVIDE OUTSTANDING CUSTOMER SERVICE AND DELIVER MEMBER BENEFITS TIMELY AND ACCURATELY.

| FY 2021-22 BUDGET REQUEST | | |
|---|---|---|
| | Expense | Positions |
| **Total Request** | **$81,500** | **0** |
| Consulting | 40,000 | |
| Software | 33,500 | |
| Expenses | 8,000 | |

| IMPACT |
|---|
| INCREASED MEMBER COMMUNICATION CHANNELS AND WEB-BASED SERVICE OPTIONS |

## PURPOSE

To improve the Member experience by broadening communications through expanded channels. This will be achieved by:

- Developing a comprehensive content management structure to efficiently manage information for newsletters, the website, and other communication avenues such as LACERS' YouTube Channel and other communication platforms.
- Providing 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 online benefit calculators from their mobile devices, and the option to complete their retirement application forms electronically via an online application portal.

This BPI will work toward solving the ongoing issue of limited time and resources. The deliverables provided by this BPI will save time for both LACERS staff and Members by providing Members with self-service options for information retrieval and retirement document submission. This will also allow LACERS to reduce the resources regularly used through a paper-based retirement form submission processed.

<u>Year 1 and Year 2 Accomplishments</u>:

- ✓ Produced and posted 55 videos
- ✓ Gained 575 YouTube subscribers, and had a total of 17,103 total views on the LACERS YouTube channel
- ✓ Compiled 88 articles for the evergreen article repository
- ✓ Completed Retirement application portal team scope and testing
- ✓ Identified Zoom for the one-on-one online Member counseling
- ✓ Launched Amazon Connect for use by the Member Services Center

# BPI | MEMBER EXPERIENCE INITIATIVE – Year 3 (cont.)

- ✓ Revamped the LACERS website: www.LACERS.org
- ✓ Curated a LACERS YouTube Channel filled with education videos
- ✓ Established a virtual presence for webinars and engagement sessions

## METRICS

| | |
|---|---|
| **Launch of Retirement Application Portal** | **Target:** 250 subscribers in the 1st quarter that it is launched |
| **Conduct one-on-one video conferencing meetings with Members** | **Target:** 2 meetings a month by June 2022<br>10 meeting a month by June 2023 |

# BPI | MOBILE WORKFORCE INITIATIVE – Year 2

ADVANCES THE STRATEGIC PLAN GOALS TO PROVIDE OUTSTANDING CUSTOMER SERVICE AND DELIVER MEMBER BENEFITS TIMELY AND ACCURATELY.

FY 2020-21 BUDGET REQUEST

| | Expense | Positions |
|---|---|---|
| **Total Request** | **$241,092** | **0** |
| Consultant | 140,000 | |
| Software | 71,092 | |
| Maintenance & Support | 30,000 | |

IMPACT

TOOLS TO ENABLE
BUSINESS CONTINUITY
DURING CRISIS SITUATIONS

## PURPOSE

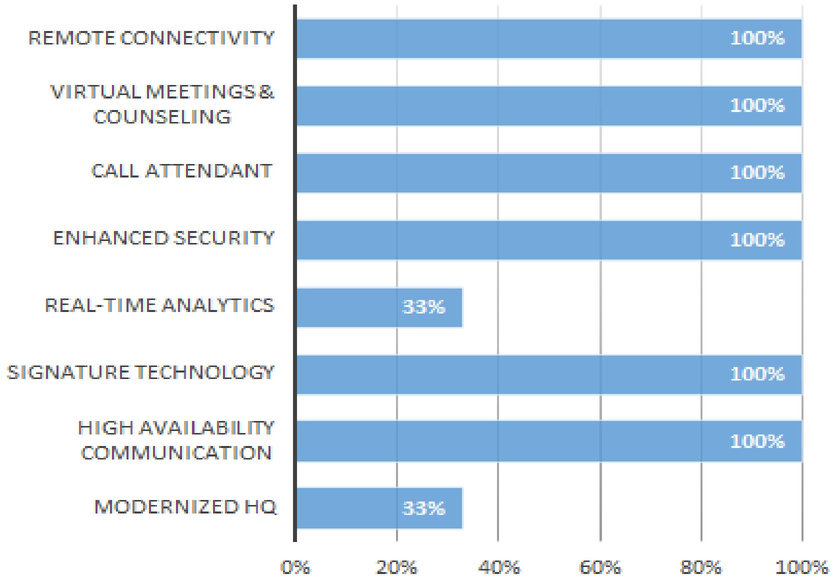
- Provide value to LACERS' stakeholders by increasing productivity through use of secured mobile solutions, cloud services, and remote connections.
- Benefit the Members by expanding our online mobile services, ensuring timely processing of retirement benefits.
- Address the expected challenge of crisis situations such as the pandemic or other disruptive events.

The "Mobile Workforce BPI" is a multi-phased initiative, of which the first deliverable was initiated at start of the pandemic crisis and expected for overall completion by end of calendar year 2021 with build-out of the new headquarters. These deliverables are comprised of infrastructure build-out, mobile equipment, virtual desktop, cloud services, data analytics, cyber security, and modernization of the workplace.

For upcoming fiscal year, the project will focus on the next level of cyber security, and mobile services within the new headquarters. Funding for FY22 shall include purpose-built cyber security software to protect user endpoints, and collaborating with the cybersecurity team on security programs, policies, and procedures.

# BPI | MOBILE WORKFORCE INITIATIVE – Year 2 (cont.)

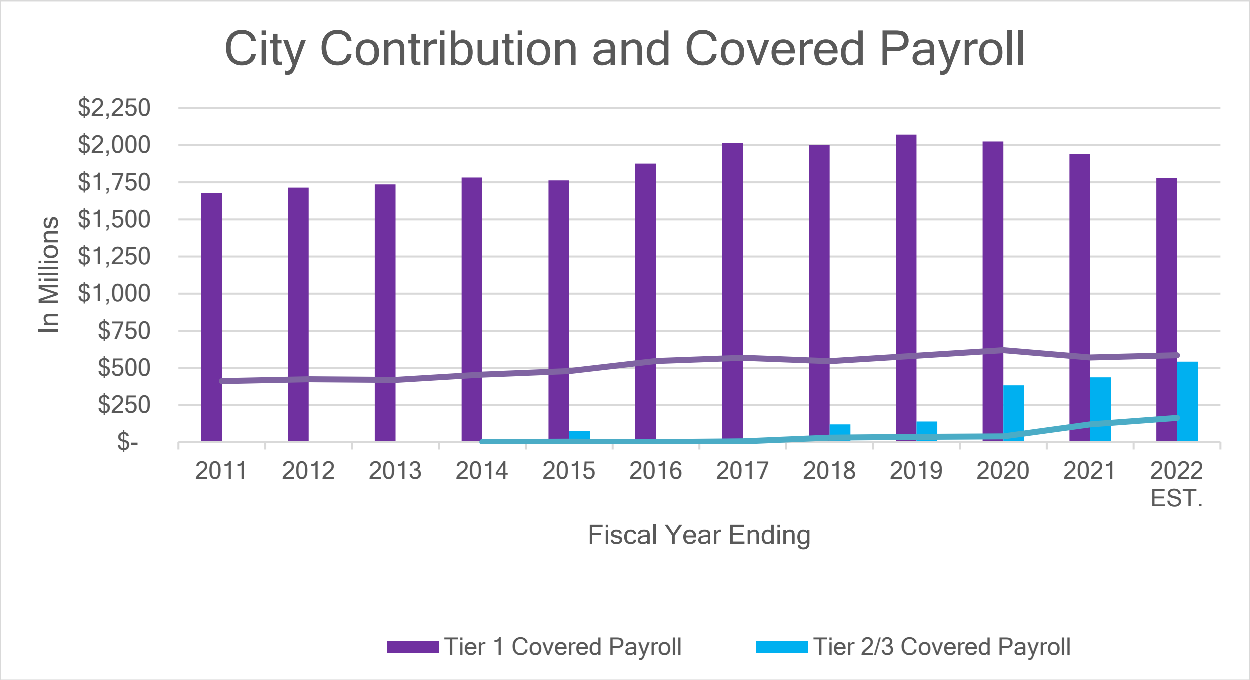
## METRICS

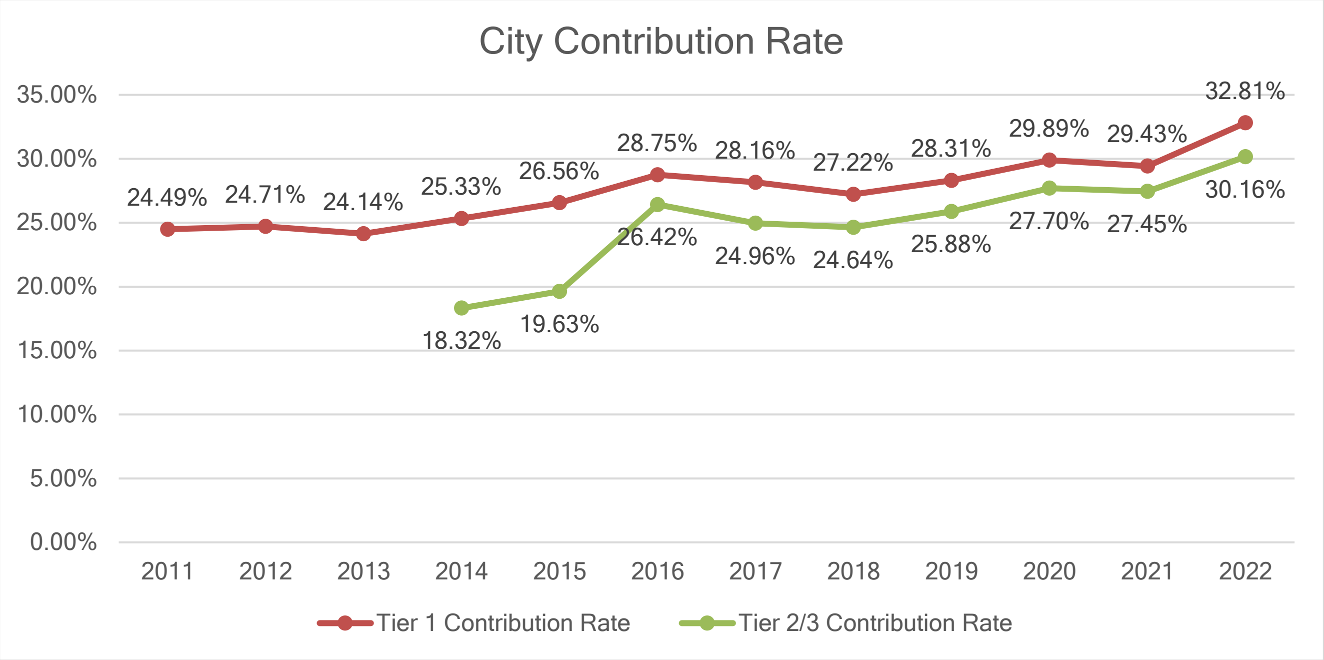


| | |
|---|---|
| **Real-Time Status, Expansion** | **Target:** 100% Real-Time Access to Analytics and Dashboards as needed for tracking and ensuring budgets, directives, initiatives, and projects stay on course.<br>Baseline: 33% |
| **High Availability, Hybrid Communication Tools** | **Target:** 100% Business continuity readiness with high availability of collaboration and communication tools.<br>Baseline: 100% |
| **Modernized Building, Mobility** | **Target:** 100% Modernized workplace with seamless connectivity to mobile solutions throughout entirety of building.<br>Baseline: 33% |

# 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.

| | FY21-22 | FY20-21 | % CHANGE |
|---|---|---|---|
| TOTAL | $ 715,507,022 | $ 645,900,502 | 11% |
| Retirement and Health Benefits | 748,034,421 | 690,638,145 | 8% |
| True-up Adjustment | (34,089,399) | (46,116,643) | -26% |
| Family Death Benefit Plan | 71,000 | 98,000 | -28% |
| Excess Benefit Plan | 1,464,000 | 1,260,000 | 16% |
| Limited Term Retirement Plan | 27,000 | 21,000 | 29% |

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.

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 last fiscal year's final covered payroll and will change when the final covered payroll is known. As of now, the estimate is based on the FY21 final covered payroll of $1.78 billion for Tier 1 Members and rate of 32.81%; and a covered payroll of $542 million and rate of 30.16% for Tier 3 Members. A credit adjustment of $34,089,399 is applied toward the FY22 contribution to LACERS. This credit amount represents a true-up of the Fiscal Year 2020-21 contribution -- the difference between the contributions paid on July 15, 2020 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 2,400 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 which was 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 $290,000[1] for 2021. In 2021, there are 53 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 FY22, 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 are currently two LTRP Members in the plan.

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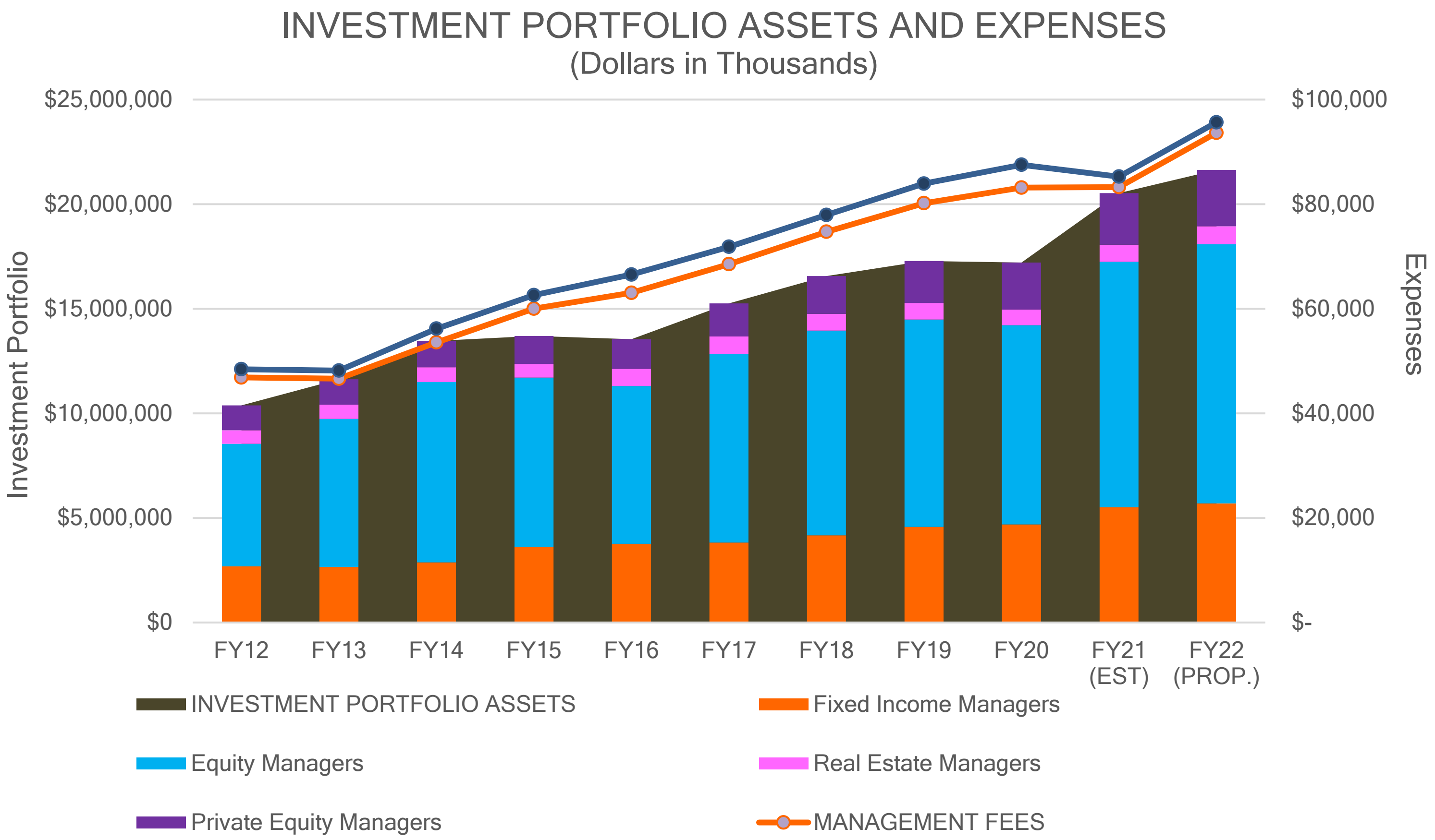
[1] This represents the unadjusted Excess Benefit limit.  The individual limit must be adjusted based on the age of the Member at retirement, years of City service, service purchases, and calculated on a single-life annuity basis.

# INVESTMENT MANAGEMENT FEES AND EXPENSES



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

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.

| | FY 2022 | FY 2021 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| TOTAL | $ 95,652,261 | 91,557,275 | 4,094,986 | 4% |
| Investment Management Fees | 93,652,851 | 89,482,865 | 4,169,986 | 5% |
| Investment Consulting Fees | 1,740,500 | 1,833,000 | (92,500) | -5% |
| Other Investment Expense | 258,910 | 241,410 | 17,500 | 7% |

The 2021-22 Investment Management Fees & Expenses Budget increased by $4.08 million or 4.4% (in comparison to $4.44 million or 5.1% in 2020-21). This includes:

- $7.9 million from new commitments to Private Equity.
- ($1.8) million in net decrease from Public Equity due to cost savings from current and new managers.
- ($1.9) million decrease in Real Estate fees based on average ratio of actual fee paid to market value for the last five fiscal years.
- ($0.1) million decrease in Real Estate and Private Equity Legal Consulting.

Note: The Board adopted a new Asset Allocation Policy and assets were re-weighed, impacting estimated fees slightly, but not significantly given the reallocation takes place over several years.

**Board** Meeting: 05/25/2021
Item VI-A
Attachment 2

# LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

# PROPOSED BUDGET
# AND
# PERSONNEL RESOLUTIONS

## Fiscal Year 2021 - 22

## Presented May 25, 2021

TABLE OF CONTENTS

# LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

## COMBINED STATEMENT OF RECEIPTS AND EXPENDITURES[3]

| Actual 2019-20 | Adopted Budget 2020-21 | Estimated 2020-21[1] | | Budget Appropriation 2021-22[2] |
|---|---|---|---|---|
| | | | **RECEIPTS** | |
| $ 666,567,602 | $ 645,900,502 | $ 647,661,776 | City Contributions (see Schedule 1) | $ 715,507,022 |
| 263,842,364 | 278,000,000 | 257,000,000 | Member Contributions | 269,850,000 |
| 93,286 | 98,000 | 70,100 | Family Death Benefit Plan Member Contributions | 71,000 |
| 10,364,071 | 10,700,000 | 10,900,000 | Self-Funded Dental Insurance Premium | 11,520,000 |
| 2,136,806 | 840,000 | 917,000 | Member Insurance Premium Reserve | 660,000 |
| 404,725,040 | 422,300,000 | 352,000,000 | Earnings on Investments | 362,560,000 |
| 361,010,809 | -- | 1,808,000,000 | Gain on Sale of Investments | -- |
| $ 1,708,739,978 | $ 1,357,838,502 | $ 3,076,548,876 | Total Receipts | $ 1,360,168,022 |
| | | | **EXPENDITURES** | |
| 972,131,646 | $ 1,040,920,000 | $ 1,074,000,000 | Retirement Allowances | 1,170,660,000 |
| 1,065,345 | 1,156,000 | 990,000 | Family Death Benefit Plan Allowance | 1,156,000 |
| 118,136,970 | 142,991,000 | 140,000,000 | Retired Medical & Dental Subsidy | 149,800,000 |
| 14,547,868 | 16,170,000 | 16,020,000 | Retired Medicare Part B Reimbursements | 18,000,000 |
| 7,029,444 | 8,861,000 | 7,670,000 | Self-Funded Dental Insurance Claims | 8,590,000 |
| 10,787,797 | 12,287,000 | 14,190,000 | Refund of Member Contributions | 15,609,000 |
| 1,544,373 | 2,200,000 | 2,440,000 | Refund of Deceased Retired Accum. Contributions | 2,684,000 |
| 28,721,387 | 37,499,812 | 32,753,577 | Administrative Expense | 32,904,448 |
| 751,235 | 783,000 | 770,000 | Self-Funded Insurance Administrative Fee | 864,000 |
| 86,086,447 | 91,557,275 | 85,262,947 | Investment Management Fees and Expenses | 95,652,261 |
| $ 1,240,802,512 | $ 1,354,425,087 | $ 1,374,096,523 | Total Expenditures | $ 1,495,919,709 |
| 467,937,465 | 3,413,415 | 1,702,452,353 | Increase (Decrease) in Fund Balance | (135,751,687) |
| $ 1,708,739,978 | $ 1,357,838,502 | $ 3,076,548,876 | Total Expenditures and Increase (Decrease) in Fund Balance | $ 1,360,168,022 |

1. The City Contributions amount for the FY 2020-21 Estimated Budget was based on the City's final covered payroll of $2,382,103,280 and included the application of a net credit adjustment for FY 2019-20 of $46,116,643 deducted from FY 2020-21 contribution payment. The credit adjustment represents a true-up of the FY 2019-20 City contribution.

2. The preliminary City Contributions amount for FY 2021-22 is based on the Mayor's Proposed Budget City covered payroll of $2,323,652,688 and includes a credit adjustment of $34,089,399 for the true-up of FY 2020-21 contributions which will be deducted from the FY 2021-22 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 2021-22.

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

ATTACHMENT 2 - EXHIBIT 2
STATEMENT OF RECEIPTS AND EXPENDITURES - 115 TRUST

# LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

## DETAIL OF RECEIPTS AND EXPENDITURES
## 115 TRUST FUND

| Actual 2019-20 | Adopted Budget 2020-21 | Estimated 2020-21 | | Appropriation 2021-22 |
|---|---|---|---|---|
| | | | **RECEIPTS** | |
| $ 112,136,429 | $ 100,230,779 | $ 100,507,035 | City Contributions (see Schedule 1).................................... | $ 95,829,221 |
| 10,364,071 | 10,700,000 | 10,900,000 | Self-Funded Dental Insurance Premium.............................. | 11,520,000 |
| 2,136,806 | 840,000 | 917,000 | Member Insurance Premium Reserve................................. | 660,000 |
| 2,547,326 | 944,000 | 4,746,000 | Earnings on Investments.................................................... | 7,115,000 |
| 1,194,585 | -- | 35,474,000 | Gain on Sale of Investments................................................ | -- |
| $ 128,379,217 | $ 112,714,779 | $ 152,544,035 | Total Receipts....................................................................... | $ 115,124,221 |
| | | | **EXPENDITURES** | |
| 7,029,444 | 8,861,000 | 7,670,000 | Self-Funded Dental Insurance Claims................................. | 8,590,000 |
| 751,235 | 783,000 | 770,000 | Self-Funded Insurance Administrative Fee.......................... | 864,000 |
| | | | Administrative Expense .................................................... | |
| 7,258 | 70,000 | | Contracts.......................................................................... | 70,000 |
| 229,381 | 60,000 | 442,000 | Share of Department Adm. Expenses............................. | 642,000 |
| 321,385 | 183,000 | 1,150,000 | Investment Management Expense...................................... | 1,877,000 |
| $ 8,338,703 | $ 9,957,000 | $ 10,032,000 | Total Expenditures................................................................ | $ 12,043,000 |
| 120,040,514 | 102,757,779 | 142,512,035 | Increase in Fund Balance..................................................... | 103,081,221 |
| $ 128,379,217 | $ 112,714,779 | $ 152,544,035 | Total Expenditures and Increase in Fund Balance................ | $ 115,124,221 |

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, 2020 as follows:

| | Health (115 TR) | Retirement | Total |
|---|---|---|---|
| Tier 1<br>32.81% of $1,780,771,436 total actuarial salary of Tier 1 members for fiscal year 2021-22 | $ 74,305,891 | $ 510,340,706 | 584,646,597 |
| Tier 3<br>30.16% of $542,014,060 total actuarial salary of Tier 3 members for fiscal year 2021-22 | 25,624,152 | 137,763,672 | 163,387,824 |
| Subtotal | **$ 99,930,043** | **$ 648,104,378** | **$ 748,034,421** |
| Family Death Benefit Plan (FDBP)<br>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. | | 71,000 | 71,000 |
| Excess Benefit Plan Fund (EBP)<br>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. | | 1,464,000 | 1,464,000 |
| Limited Term Retirement Plan Fund (LTRP)<br>To fund the Defined Contribution Plan for elected City officials in accordance with the provisions of Section 4.1850 of the Administrative Code. | | 27,000 | 27,000 |
| **Total City Contributions** | **$ 99,930,043** | **$ 649,666,378** | **$ 749,596,421** |
| True-up Adjustment:<br>Credit of difference in City contributions for FY 2020-21 based on estimated covered payroll on July 15, 2020 and actual covered payroll up to February 27, 2021. | $ (4,100,822) | (29,988,577) | (34,089,399) |
| **Total City Contributions After True Up** | **$ 95,829,221** | **$ 619,677,801** | **$ 715,507,022** |

**City Contributions by Funding Source:**

| | **Total Covered Payroll** | **Contributions** | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Tier 1 (32.81%)** | **Tier 3 (30.16%)** | **Shared Cost for FDBP/EBP/LTP** | **Tier 1 True-Up** | **Tier 3 True-Up** | **FY21 True-Up Adjustments** | **Total** |
| General Fund (TRAN) | $ 1,918,285,646 | $ 469,596,326 | $ 144,159,165 | $ 1,289,506 | $ (50,406,559) | $ 21,820,906 | $ (28,585,653) | $ 586,459,344 |
| Airports | 286,335,000 | 81,535,637 | 14,313,126 | 192,479 | (4,989,680) | (370,535) | (5,360,215) | 90,681,027 |
| Harbor | 89,196,150 | 25,619,989 | 3,217,483 | 59,959 | (1,103,884) | 649,555 | (454,329) | 28,443,102 |
| LACERS | 17,028,492 | 4,382,336 | 1,082,827 | 11,447 | 202,525 | 179,619 | 382,144 | 5,858,754 |
| LAFPP | 12,807,400 | 3,512,309 | 615,223 | 8,609 | (51,577) | (19,769) | (71,346) | 4,064,795 |
| Total | $ 2,323,652,688 | $ 584,646,597 | $ 163,387,824 | $ 1,562,000 | $ (56,349,175) | $ 22,259,776 | $ (34,089,399) | $ 715,507,022 |

# LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

## SCHEDULE 2 -- ADMINISTRATIVE EXPENSE

| Expenditures 2019-20 | Adopted Budget 2020-21 | Estimated Expenditures 2020-21 | | Budget Appropriation 2021-22 |
|---|---|---|---|---|
| | | | **SALARIES** | |
| $ 15,178,877 | $ 17,443,777 | $ 17,449,764 | General...................................................... | $ 16,696,575 |
| -- | 980,780 | 482,983 | As Needed.................................................. | 630,851 |
| 327,815 | 670,321 | 457,947 | Overtime..................................................... | 485,823 |
| $ 15,506,692 | $ 19,094,878 | $ 18,390,693 | Total Salaries.............................................. | $ 17,813,249 |
| | | | **EXPENSE** | |
| $ 123,181 | $ 105,463 | $ 125,585 | Printing and Binding.................................... | $ 155,500 |
| 96,573 | 90,315 | 8,826 | Travel.......................................................... | 96,815 |
| 6,178,415 | 7,022,700 | 7,010,424 | Employee Benefits....................................... | 8,362,800 |
| -- | 4,500 | 4,500 | Transportation Expense............................... | 9,500 |
| 4,309,092 | 6,015,046 | 5,168,969 | Contracts..................................................... | 5,025,726 |
| 2,249,798 | 1,501,090 | 1,444,584 | Office and Administrative............................. | 1,278,758 |
| $ 12,957,060 | $ 14,739,113 | $ 13,762,888 | Total Expense.............................................. | $ 14,929,099 |
| | | | **EQUIPMENT** | |
| $ 257,636 | $ 3,665,821 | $ 599,995 | Furniture, Office and Technical Equipment........ | $ 162,100 |
| $ 257,636 | $ 3,665,821 | $ 599,995 | Total Equipment........................................... | $ 162,100 |
| $ 28,721,387 | $ 37,499,812 | $ 32,753,577 | Total Administrative Expense........................... | $ 32,904,448 |

1. Total Administrative Expense of $32,904,448 includes $712,000 for expenses of the 115 Trust (refer to schedule on page 3).

## LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
## INVESTMENT MANAGEMENT FEES AND EXPENSES: FY 2021-22

| | | ADOPTED BUDGET FY 2020-21 | ESTIMATED EXPENSE FY 2020-21 | PROPOSED BUDGET FY 2021-22 |
|---|---|---|---|---|
| 1 | Baird Advisors | $ 418,558 | $ 367,549 | $ 793,641 |
| 2 | LM Capital | 389,317 | 301,230 | 357,945 |
| 3 | Loomis Sayles | 1,055,324 | 1,041,395 | 933,078 |
| 4 | Neuberger Berman | 1,115,561 | 591,853 | 7,951 |
| 5 | State Street (Fixed Income Index) | - | 166,487 | 150,231 |
| 6 | Garcia Hamilton & Associates | - | 142,250 | 571,688 |
| 7 | Income Research & Management | - | 156,500 | 630,032 |
| 8 | JP Morgan | - | 165,625 | 666,700 |
| 9 | AEGON USA | 1,489,660 | 398,558 | - |
| 10 | Bain Capital (formerly Sankaty) | 943,729 | 928,917 | 990,354 |
| 11 | Prudential (LAC76 & LAC99) | - | 1,220,422 | 1,597,647 |
| 12 | DDJ Capital | - | 469,859 | 901,895 |
| 13 | Benefit Street Prts LLC | - | 72,375 | 415,995 |
| 14 | Loomis Sayles | - | 393,106 | 944,017 |
| 15 | Wellington | - | 549,964 | 1,792,921 |
| 16 | Crescent | - | 60,000 | 364,960 |
| 17 | Monroe | - | 60,000 | 364,960 |
| 18 | Granahan | - | 442,606 | 873,543 |
| 19 | EAM Investors | 539,707 | 904,547 | 1,047,726 |
| 20 | Bernzott | - | 189,697 | - |
| 21 | Principal Global | 780,421 | 738,170 | 821,374 |
| 22 | Rhumbline (S&P 500) | 153,858 | 202,756 | 227,149 |
| 23 | Rhumbline (Russell 2000) | 13,304 | 13,588 | 14,419 |
| 24 | Rhumbline (Russell 2000 Growth & Value) | - | 13,486 | - |
| 25 | Copeland Cap Mgmt | - | 523,667 | 1,070,004 |
| 26 | Segall | - | 310,561 | 604,466 |
| 27 | AQR Capital Management | 1,797,899 | 745,712 | - |
| 28 | Axiom International | 2,873,273 | 2,493,386 | 2,751,460 |
| 29 | Barrow, Hanley, Mewhinney & Strauss | 2,350,478 | 2,126,251 | 2,316,767 |
| 30 | Dimensional Fund Advisor (Emerging Mkt) | 1,902,529 | 1,806,918 | 1,962,982 |
| 31 | Lazard Asset Management | 3,057,679 | 2,713,821 | 2,998,069 |
| 32 | MFS Institutional Advisors | 2,642,075 | 2,257,132 | 2,387,305 |
| 33 | Oberweis Asset Management | 2,028,922 | 2,517,973 | 2,703,078 |
| 34 | Quantitative Management Assoc. (QMA) | 1,570,726 | 671,318 | - |
| 35 | State Street Global (Non-US Index) | 342,871 | 371,428 | 455,188 |
| 36 | State Street EMG Mkt C | - | 36,501 | 151,478 |
| 37 | State Street EAFE SC | - | 31,061 | 128,032 |
| 38 | Wasatch | - | 547,473 | 2,136,510 |
| 39 | Centersquare (REITS) | 986,762 | 955,990 | 1,003,721 |
| 40 | Core Commodity | 1,230,177 | 556,521 | - |
| 41 | Dimensional Fund Advisor (TIPS) | 421,521 | 439,509 | 453,305 |
| 42 | Various New Funds Anticipated for FY 21 | 9,315,378 | - | - |
| 43 | Real Estate Managers | 12,699,882 | 10,307,916 | 10,823,164 |
| 44 | Private Equity Managers | 39,363,254 | 44,267,767 | 47,239,100 |
| | **Subtotal - Investment Management Fee** | **$ 89,482,865** | **$ 83,271,843** | **$ 93,652,851** |
| 45 | ESG Consulting | $ 55,000 | $ - | $ 55,000 |
| 46 | General Fund Consulting | 465,000 | 450,000 | 465,000 |
| 47 | Private Equity ($762.5K) & Real Estate Consulting ($215K) | 965,000 | 951,694 | 977,500 |
| 48 | Real Estate & Private Equity Legal Consulting | 325,000 | 325,000 | 220,000 |
| 49 | Northern Trust | 23,000 | 23,000 | 23,000 |
| | **Subtotal - Investment Consulting Fee** | **$ 1,833,000** | **$ 1,749,694** | **$ 1,740,500** |
| 50 | Bloomberg Financial Services | $ 27,000 | $ 27,000 | $ 44,500 |
| 51 | Tax Accounting Services | 110,000 | 110,000 | 110,000 |
| 52 | Institutional Shareholder Services | 71,910 | 71,910 | 71,910 |
| 53 | Pitchbook Sub ($22.5K), Pacific Center for Asset Mgt ($10K) | 32,500 | 32,500 | 32,500 |
| | **Subtotal - Other Investment Expense** | **$ 241,410** | **$ 241,410** | **$ 258,910** |
| | **Total Investment Management Fees and Expenses** | **$ 91,557,275** | **$ 85,262,947** | **$ 95,652,261** |

Note: The Estimated Expense for FY21 reflects a number of managers complying with LACERS' request for a COVID/Fiscal Crisis fee discount.

## LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

## PROPOSED PERSONNEL RESOLUTION
## FISCAL YEAR 2021-22

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, 2021, 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 25, 2021

## LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
## POSITIONS AND SALARIES: FY 2021-22

### (a) Regular Positions

| FY21 | FY22 | Change | MOU | Class Code | Class Title | Salary Range |
|---|---|---|---|---|---|---|
| 3 | 3 | 0 | 1 | 1513 | ACCOUNTANT | $ 59,361 - $ 86,798 |
| 12 | 12 | 0 | 3 | 1223 | ACCOUNTING CLERK | $ 52,826 - $ 77,235 |
| 1 | 1 | 0 | 20 | 1119 | ACCOUNTING REC SUPVR II | $ 70,282 - $ 102,792 |
| 9 | 9 | 0 | 3 | 1358 | ADMINISTRATIVE CLERK | $ 40,548 - $ 59,257 |
| 2 | 2 | 0 | 36 | 9414 | ASST GM-LACERS | $ 152,006 - $ 222,225 |
| 24 | 26 | 2 | 1 | 9108 | BENEFITS ANALYST | $ 78,842 - $ 115,278 |
| 31 | 32 | 1 | 20 | 1203 | BENEFITS SPECIALIST | $ 59,716 - $ 87,320 |
| 3 | 3 | 0 | 36 | 9151 | CH BENEFITS ANALYST | $ 132,755 - $ 194,121 |
| 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 | 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 |
| 3 | 3 | 0 | 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 |
| 6 | 6 | 0 | 1 | 9184 | MANAGEMENT ANALYST | $ 75,690 - $ 110,643 |
| 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 |
| 1 | 1 | 0 | 20 | 1201 | PRINCIPAL CLERK | $ 59,716 - $ 87,320 |
| 2 | 2 | 0 | 8 | 1431 | PROGRAMMER/ANALYST III | $ 81,786 - $ 119,558 |
| 1 | 1 | 0 | 8 | 1431 | PROGRAMMER/ANALYST V | $ 95,317 - $ 139,394 |
| 1 | 1 | 0 | 36 | 1800 | PUB INFO DIRECTOR I | $ 93,584 - $ 136,805 |
| 9 | 10 | 1 | 20 | 9109 | SENIOR BENEFITS ANALYST I | $ 96,820 - $ 141,608 |
| 7 | 7 | 0 | 20 | 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 |
| 20 | 20 | 0 | 3 | 1368 | SR ADMINISTRATIVE CLERK | $ 50,049 - $ 73,184 |
| 2 | 2 | 0 | 20 | 9171 | SR MGMT ANALYST I | $ 93,083 - $ 136,095 |
| 1 | 1 | 0 | 20 | 9171 | SR MGMT ANALYST II | $ 115,257 - $ 168,501 |
| 1 | 1 | 0 | 64 | 9167 | SR PERSONNEL ANALYST I | $ 93,083 - $ 136,095 |
| 1 | 1 | 0 | 64 | 9167 | SR PERSONNEL ANALYST II | $ 115,257 - $ 168,501 |
| 1 | 1 | 0 | 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 |
| 1 | 1 | 0 | 21 | 1455 | SYSTEMS PROGRAMMER II | $ 101,080 - $ 147,767 |
| 1 | 1 | 0 | 21 | 1455 | SYSTEMS PROGRAMMER III | $ 109,515 - $ 160,128 |
| 173 | 177 | 4 | | | | |

### (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 |
| 9184 | MANAGEMENT ANALYST |
| 9269 | ASSISTANT GENERAL MANAGER - PENSION |

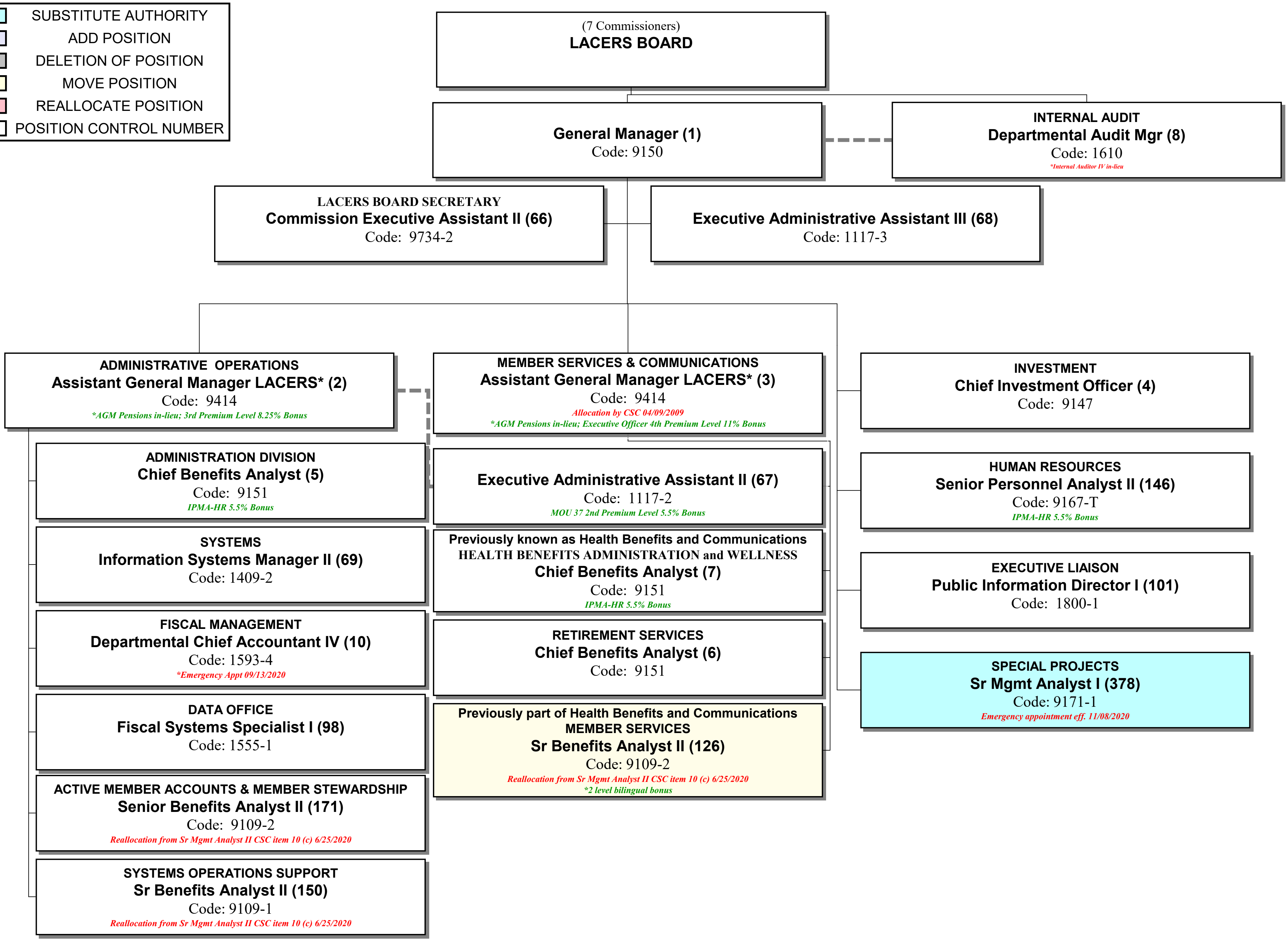
| FY21 | FY22 | Change | MOU | Class Code | Class Title | Salary Range |
|---|---|---|---|---|---|---|
| 7 | 7 | 0 | N/A | 0101-2 | COMMISSIONER | $50 PER MEETING |
| 7 | 7 | 0 | | | | |

ATTACHMENT 2 - EXHIBIT 8
ORGANIZATION CHART

# LACERS

## PROPOSED ORGANIZATIONAL CHART FY 2021/2022

| | |
|---|---|
| 🟦 | SUBSTITUTE AUTHORITY |
| 🟪 | ADD POSITION |
| ▨ | DELETION OF POSITION |
| 🟨 | MOVE POSITION |
| 🟥 | REALLOCATE POSITION |
| ☐ | POSITION CONTROL NUMBER |



(7 Commissioners)
**LACERS BOARD**

**General Manager (1)**
Code: 9150

INTERNAL AUDIT
**Departmental Audit Mgr (8)**
Code: 1610
**Internal Auditor IV in-lieu*

LACERS BOARD SECRETARY
**Commission Executive Assistant II (66)**
Code: 9734-2

**Executive Administrative Assistant III (68)**
Code: 1117-3

ADMINISTRATIVE OPERATIONS
**Assistant General Manager LACERS* (2)**
Code: 9414
**AGM Pensions in-lieu; 3rd Premium Level 8.25% Bonus*

ADMINISTRATION DIVISION
**Chief Benefits Analyst (5)**
Code: 9151
*IPMA-HR 5.5% Bonus*

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

FISCAL MANAGEMENT
**Departmental Chief Accountant IV (10)**
Code: 1593-4
**Emergency Appt 09/13/2020*

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

ACTIVE MEMBER ACCOUNTS & MEMBER STEWARDSHIP
**Senior Benefits Analyst II (171)**
Code: 9109-2
*Reallocation from Sr Mgmt Analyst II CSC item 10 (c) 6/25/2020*

SYSTEMS OPERATIONS SUPPORT
**Sr Benefits Analyst II (150)**
Code: 9109-1
*Reallocation from Sr Mgmt Analyst II CSC item 10 (c) 6/25/2020*

MEMBER SERVICES & COMMUNICATIONS
**Assistant General Manager LACERS* (3)**
Code: 9414
*Allocation by CSC 04/09/2009*
**AGM Pensions in-lieu; Executive Officer 4th Premium Level 11% Bonus*

**Executive Administrative Assistant II (67)**
Code: 1117-2
*MOU 37 2nd Premium Level 5.5% Bonus*

Previously known as Health Benefits and Communications
HEALTH BENEFITS ADMINISTRATION and WELLNESS
**Chief Benefits Analyst (7)**
Code: 9151
*IPMA-HR 5.5% Bonus*

RETIREMENT SERVICES
**Chief Benefits Analyst (6)**
Code: 9151

Previously part of Health Benefits and Communications
MEMBER SERVICES
**Sr Benefits Analyst II (126)**
Code: 9109-2
*Reallocation from Sr Mgmt Analyst II CSC item 10 (c) 6/25/2020*
**2 level bilingual bonus*

INVESTMENT
**Chief Investment Officer (4)**
Code: 9147

HUMAN RESOURCES
**Senior Personnel Analyst II (146)**
Code: 9167-T
*IPMA-HR 5.5% Bonus*

EXECUTIVE LIAISON
**Public Information Director I (101)**
Code: 1800-1

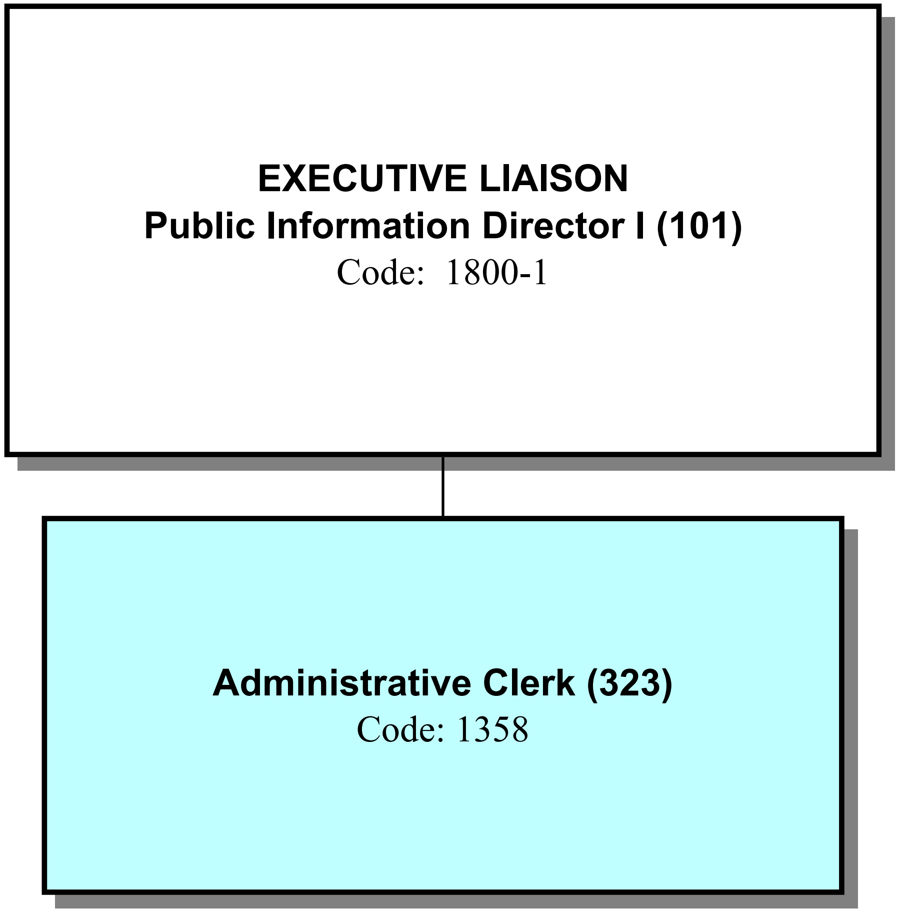
SPECIAL PROJECTS
**Sr Mgmt Analyst I (378)**
Code: 9171-1
*Emergency appointment eff. 11/08/2020*

**Updated 5/25/2021**

# LACERS

## PROPOSED ORGANIZATIONAL CHART FY 2021/2022

| | |
|---|---|
| 🟦 | SUBSTITUTE AUTHORITY |
| 🟪 | ADD POSITION |
| ▨ | DELETION OF POSITION |
| 🟨 | MOVE POSITION |
| 🟥 | REALLOCATE POSITION |
| ☐ | POSITION CONTROL NUMBER |



Updated 5/25/2021

# LACERS

## PROPOSED ORGANIZATIONAL CHART FY 2021/2022

| | |
|---|---|
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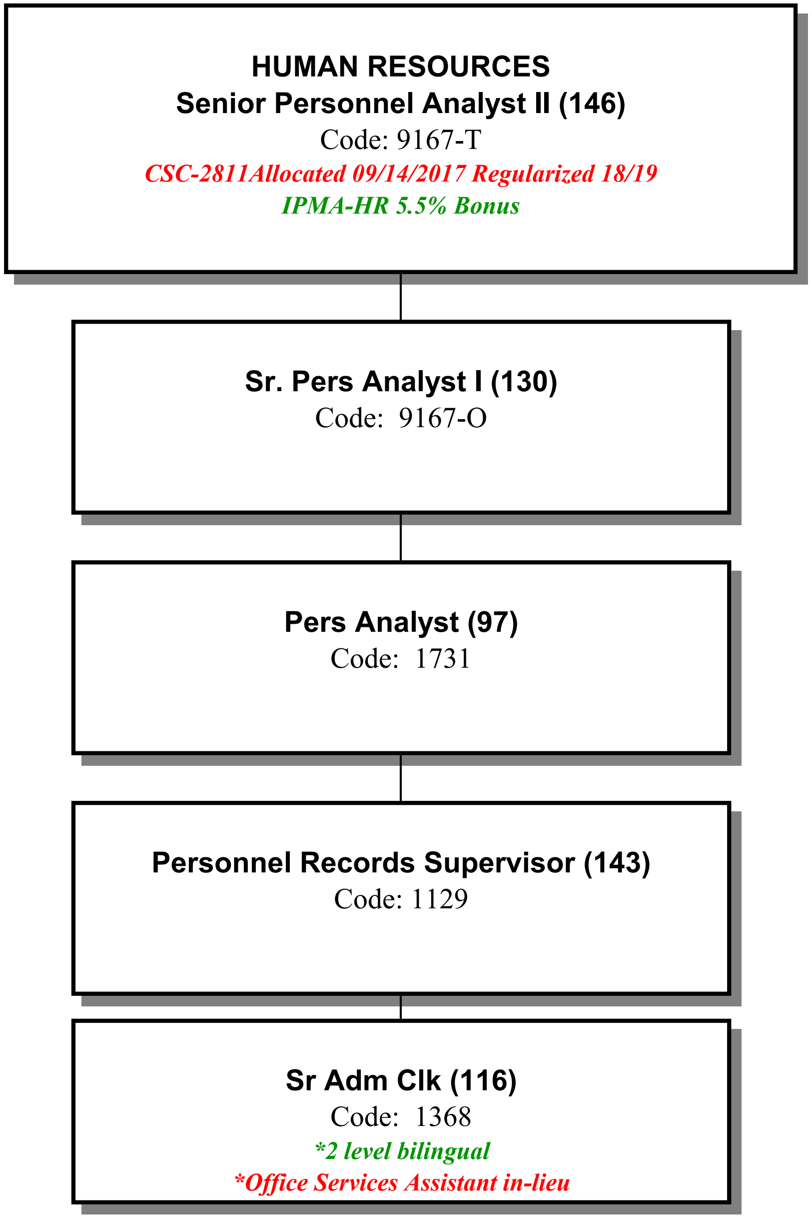

**HUMAN RESOURCES**
**Senior Personnel Analyst II (146)**
Code: 9167-T
*CSC-2811Allocated 09/14/2017 Regularized 18/19*
*IPMA-HR 5.5% Bonus*

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

**Pers Analyst (97)**
Code: 1731

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

**Sr Adm Clk (116)**
Code: 1368
**2 level bilingual*
**Office Services Assistant in-lieu*

**Updated 5/25/2021**

# LACERS

## PROPOSED ORGANIZATIONAL CHART FY 2021/2022

| | |
|---|---|
| 🟦 | SUBSTITUTE AUTHORITY |
| 🟪 | ADD POSITION |
| ▨ | DELETION OF POSITION |
| 🟨 | MOVE POSITION |
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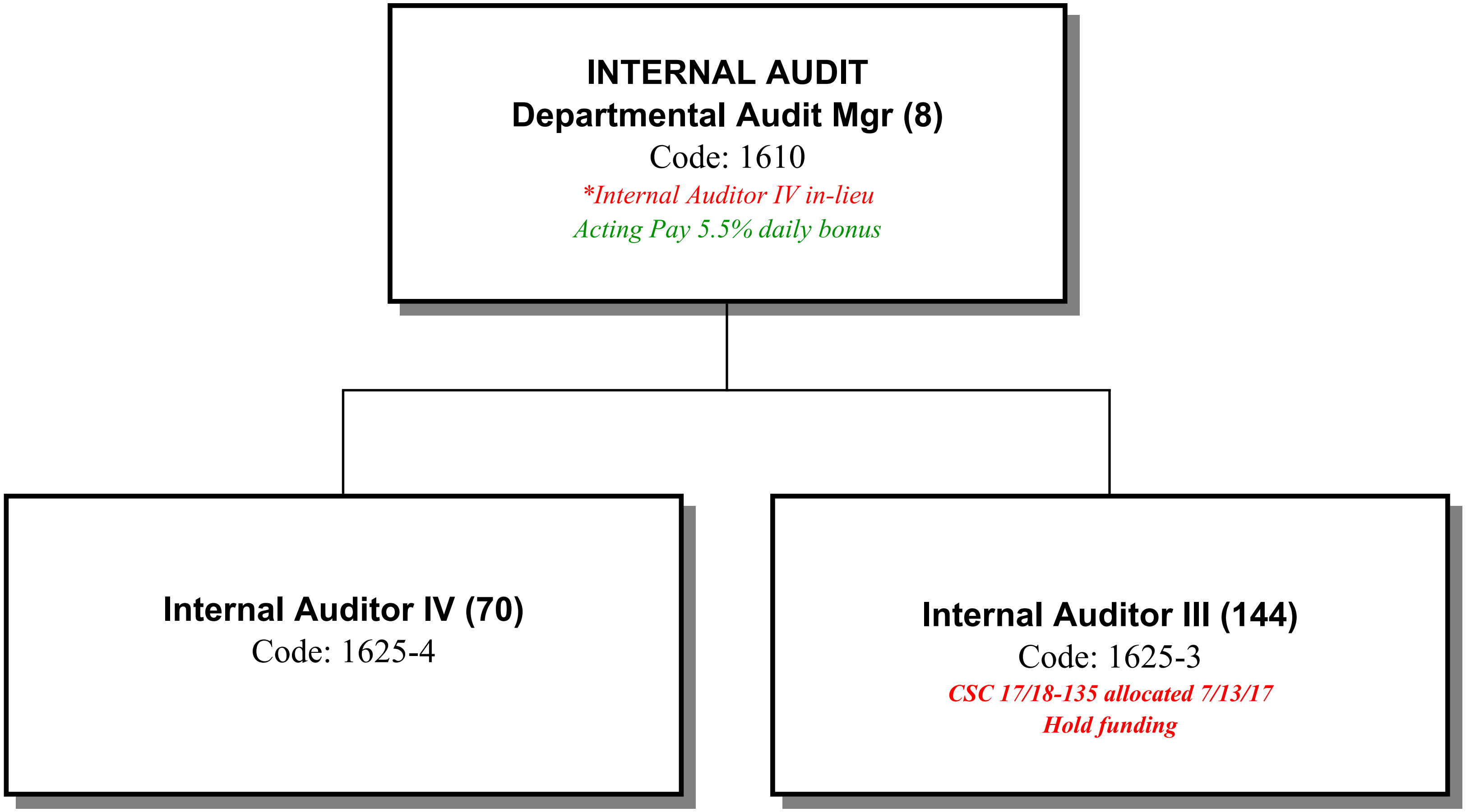


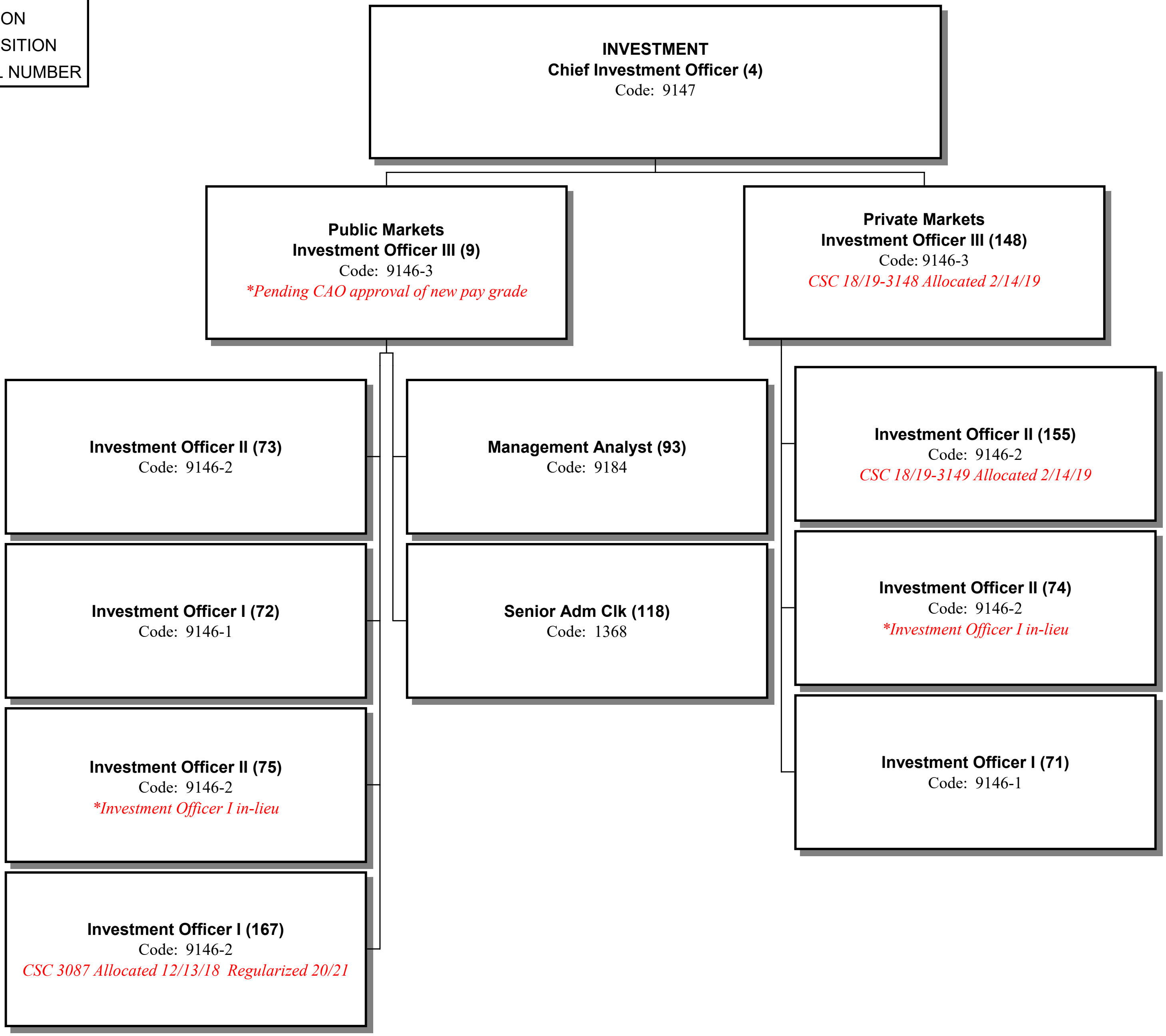
**Updated 5/25/2021**

ATTACHMENT 2 - EXHIBIT 8
ORGANIZATION CHART

# LACERS

## PROPOSED ORGANIZATIONAL CHART FY 2021/2022

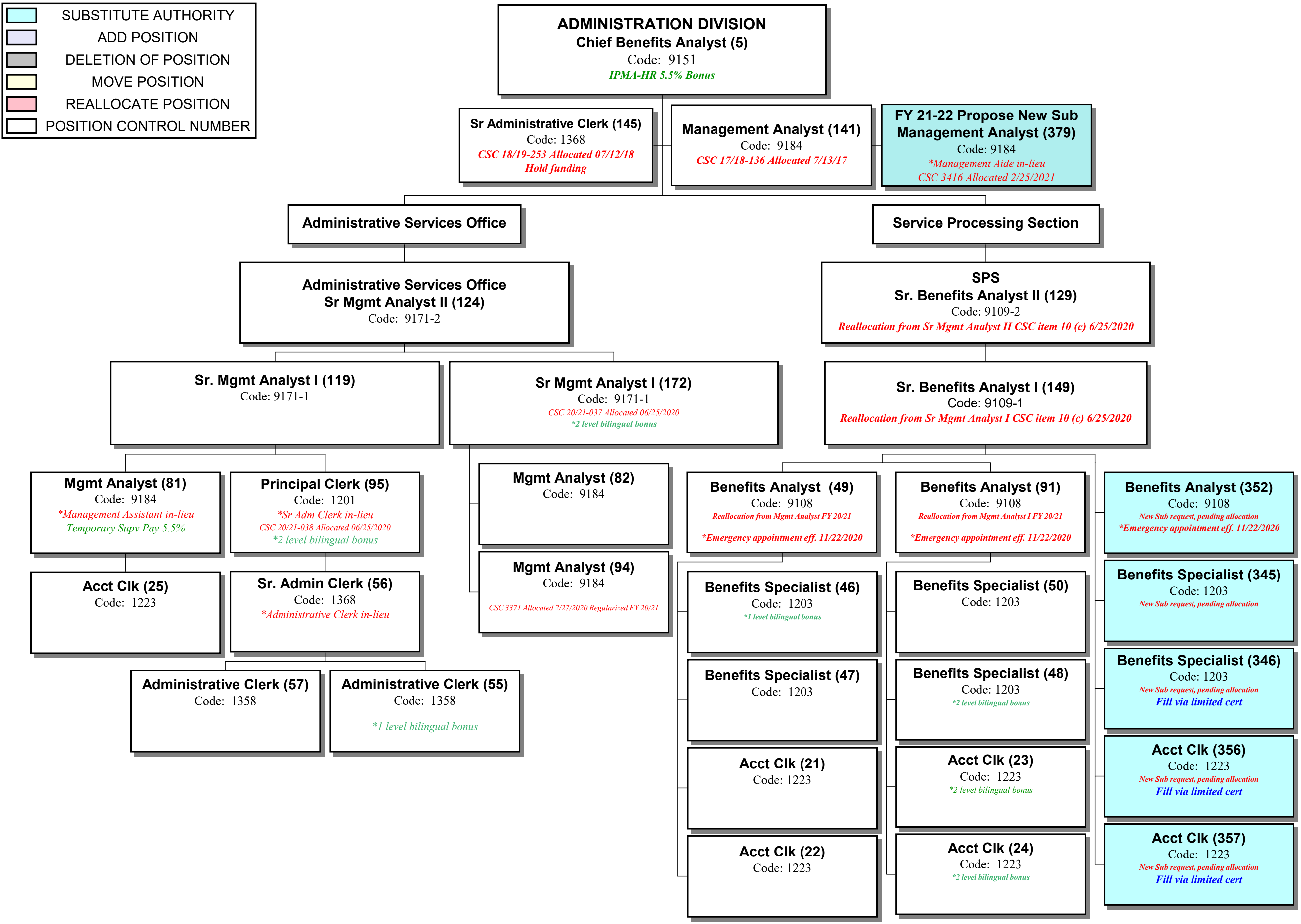
- 🟦 SUBSTITUTE AUTHORITY
- 🟪 ADD POSITION
- ⬛ DELETION OF POSITION
- 🟨 MOVE POSITION
- 🟥 REALLOCATE POSITION
- ⬜ POSITION CONTROL NUMBER



**Updated 5/25/2021**

# LACERS

## PROPOSED ORGANIZATIONAL CHART FY 2021/2022



| | |
|---|---|
| 🟦 | SUBSTITUTE AUTHORITY |
| ▭ | ADD POSITION |
| ▨ | DELETION OF POSITION |
| 🟨 | MOVE POSITION |
| 🟥 | REALLOCATE POSITION |
| ☐ | POSITION CONTROL NUMBER |

**ADMINISTRATION DIVISION**
**Chief Benefits Analyst (5)**
Code: 9151
*IPMA-HR 5.5% Bonus*

**Sr Administrative Clerk (145)**
Code: 1368
*CSC 18/19-253 Allocated 07/12/18*
*Hold funding*

**Management Analyst (141)**
Code: 9184
*CSC 17/18-136 Allocated 7/13/17*

**FY 21-22 Propose New Sub**
**Management Analyst (379)**
Code: 9184
**Management Aide in-lieu*
*CSC 3416 Allocated 2/25/2021*

**Administrative Services Office**

**Administrative Services Office**
**Sr Mgmt Analyst II (124)**
Code: 9171-2

**Sr. Mgmt Analyst I (119)**
Code: 9171-1

**Mgmt Analyst (81)**
Code: 9184
**Management Assistant in-lieu*
*Temporary Supv Pay 5.5%*

**Acct Clk (25)**
Code: 1223

**Principal Clerk (95)**
Code: 1201
**Sr Adm Clerk in-lieu*
*CSC 20/21-038 Allocated 06/25/2020*
**2 level bilingual bonus*

**Sr. Admin Clerk (56)**
Code: 1368
**Administrative Clerk in-lieu*

**Administrative Clerk (57)**
Code: 1358

**Administrative Clerk (55)**
Code: 1358
**1 level bilingual bonus*

**Sr Mgmt Analyst I (172)**
Code: 9171-1
*CSC 20/21-037 Allocated 06/25/2020*
**2 level bilingual bonus*

**Mgmt Analyst (82)**
Code: 9184

**Mgmt Analyst (94)**
Code: 9184
*CSC 3371 Allocated 2/27/2020 Regularized FY 20/21*

**Service Processing Section**

**SPS**
**Sr. Benefits Analyst II (129)**
Code: 9109-2
*Reallocation from Sr Mgmt Analyst II CSC item 10 (c) 6/25/2020*

**Sr. Benefits Analyst I (149)**
Code: 9109-1
*Reallocation from Sr Mgmt Analyst I CSC item 10 (c) 6/25/2020*

**Benefits Analyst (49)**
Code: 9108
*Reallocation from Mgmt Analyst FY 20/21*
**Emergency appointment eff. 11/22/2020*

**Benefits Specialist (46)**
Code: 1203
**1 level bilingual bonus*

**Benefits Specialist (47)**
Code: 1203

**Acct Clk (21)**
Code: 1223

**Acct Clk (22)**
Code: 1223

**Benefits Analyst (91)**
Code: 9108
*Reallocation from Mgmt Analyst I FY 20/21*
**Emergency appointment eff. 11/22/2020*

**Benefits Specialist (50)**
Code: 1203

**Benefits Specialist (48)**
Code: 1203
**2 level bilingual bonus*

**Acct Clk (23)**
Code: 1223
**2 level bilingual bonus*

**Acct Clk (24)**
Code: 1223
**2 level bilingual bonus*

**Benefits Analyst (352)**
Code: 9108
*New Sub request, pending allocation*
**Emergency appointment eff. 11/22/2020*

**Benefits Specialist (345)**
Code: 1203
*New Sub request, pending allocation*

**Benefits Specialist (346)**
Code: 1203
*New Sub request, pending allocation*
*Fill via limited cert*

**Acct Clk (356)**
Code: 1223
*New Sub request, pending allocation*
*Fill via limited cert*

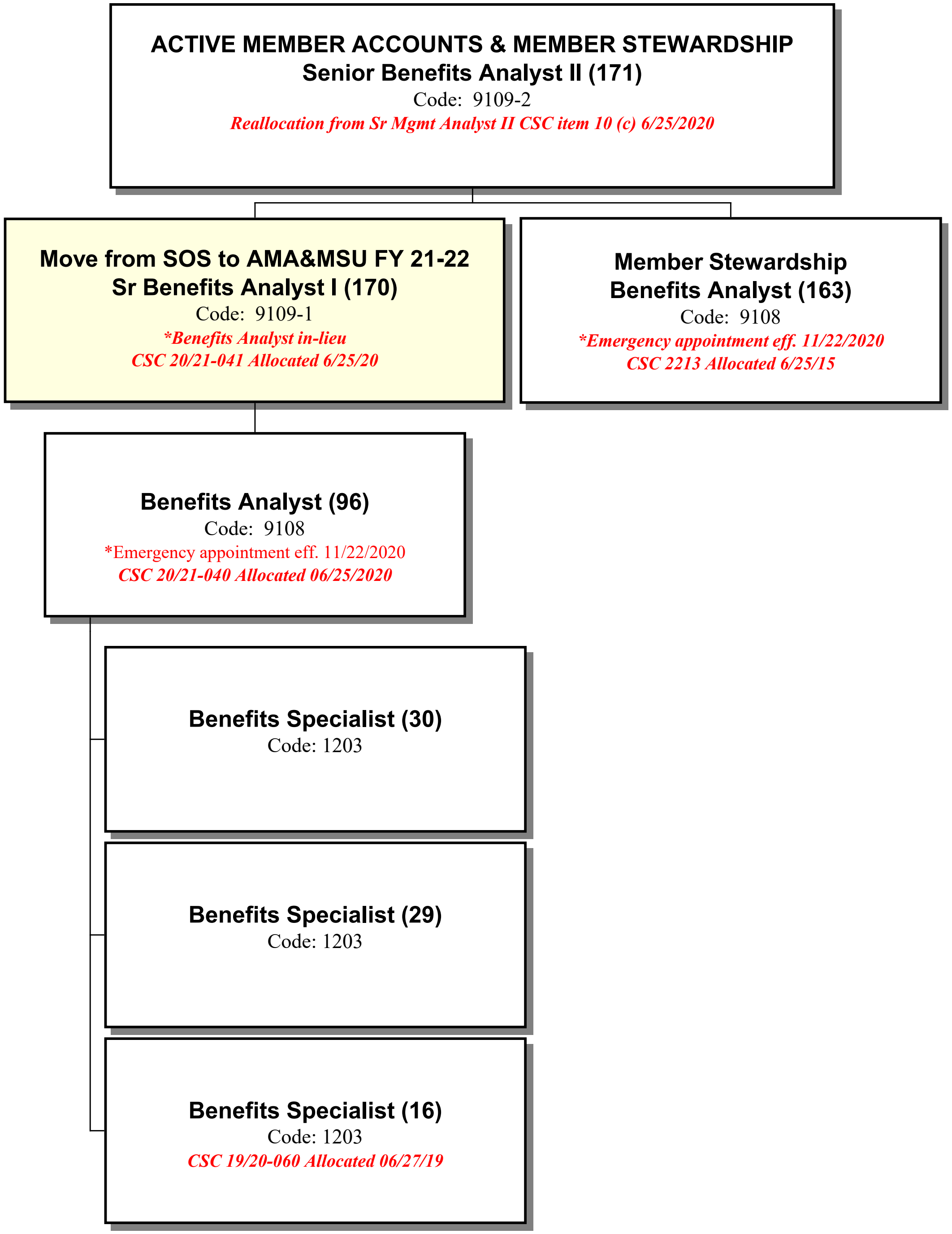
**Acct Clk (357)**
Code: 1223
*New Sub request, pending allocation*
*Fill via limited cert*

**Updated 5/25/2021**

# LACERS

## PROPOSED ORGANIZATIONAL CHART FY 2021/2022

- 🟦 SUBSTITUTE AUTHORITY
- 🟪 ADD POSITION
- ⬛ DELETION OF POSITION
- 🟨 MOVE POSITION
- 🟥 REALLOCATE POSITION
- ⬜ POSITION CONTROL NUMBER



**ACTIVE MEMBER ACCOUNTS & MEMBER STEWARDSHIP**
**Senior Benefits Analyst II (171)**
Code: 9109-2
*Reallocation from Sr Mgmt Analyst II CSC item 10 (c) 6/25/2020*

**Move from SOS to AMA&MSU FY 21-22**
**Sr Benefits Analyst I (170)**
Code: 9109-1
**Benefits Analyst in-lieu*
*CSC 20/21-041 Allocated 6/25/20*

**Member Stewardship**
**Benefits Analyst (163)**
Code: 9108
**Emergency appointment eff. 11/22/2020*
*CSC 2213 Allocated 6/25/15*

**Benefits Analyst (96)**
Code: 9108
*Emergency appointment eff. 11/22/2020
*CSC 20/21-040 Allocated 06/25/2020*

**Benefits Specialist (30)**
Code: 1203

**Benefits Specialist (29)**
Code: 1203

**Benefits Specialist (16)**
Code: 1203
*CSC 19/20-060 Allocated 06/27/19*

**Updated 5/25/2021**

# LACERS

## PROPOSED ORGANIZATIONAL CHART FY 2021/2022

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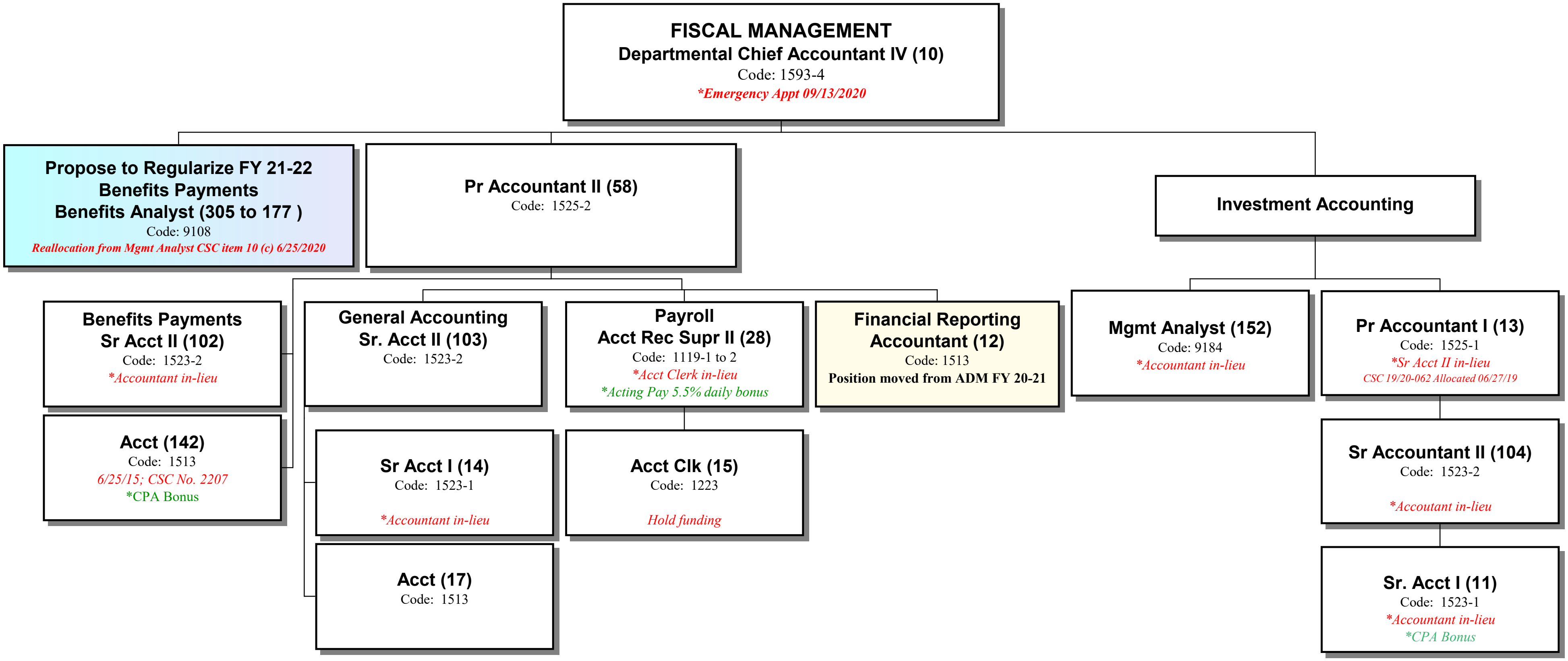

**FISCAL MANAGEMENT**
**Departmental Chief Accountant IV (10)**
Code: 1593-4
**Emergency Appt 09/13/2020*

**Propose to Regularize FY 21-22**
**Benefits Payments**
**Benefits Analyst (305 to 177 )**
Code: 9108
*Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020*

**Pr Accountant II (58)**
Code: 1525-2

**Benefits Payments**
**Sr Acct II (102)**
Code: 1523-2
**Accountant in-lieu*

**Acct (142)**
Code: 1513
*6/25/15; CSC No. 2207*
*CPA Bonus

**General Accounting**
**Sr. Acct II (103)**
Code: 1523-2

**Sr Acct I (14)**
Code: 1523-1
**Accountant in-lieu*

**Acct (17)**
Code: 1513

**Payroll**
**Acct Rec Supr II (28)**
Code: 1119-1 to 2
**Acct Clerk in-lieu*
**Acting Pay 5.5% daily bonus*

**Acct Clk (15)**
Code: 1223
*Hold funding*

**Financial Reporting**
**Accountant (12)**
Code: 1513
**Position moved from ADM FY 20-21**

**Investment Accounting**

**Mgmt Analyst (152)**
Code: 9184
**Accountant in-lieu*

**Pr Accountant I (13)**
Code: 1525-1
**Sr Acct II in-lieu*
*CSC 19/20-062 Allocated 06/27/19*

**Sr Accountant II (104)**
Code: 1523-2
**Accoutant in-lieu*

**Sr. Acct I (11)**
Code: 1523-1
**Accountant in-lieu*
**CPA Bonus*

**Updated 5/25/2021**

# LACERS

## PROPOSED ORGANIZATIONAL CHART FY 2021/2022

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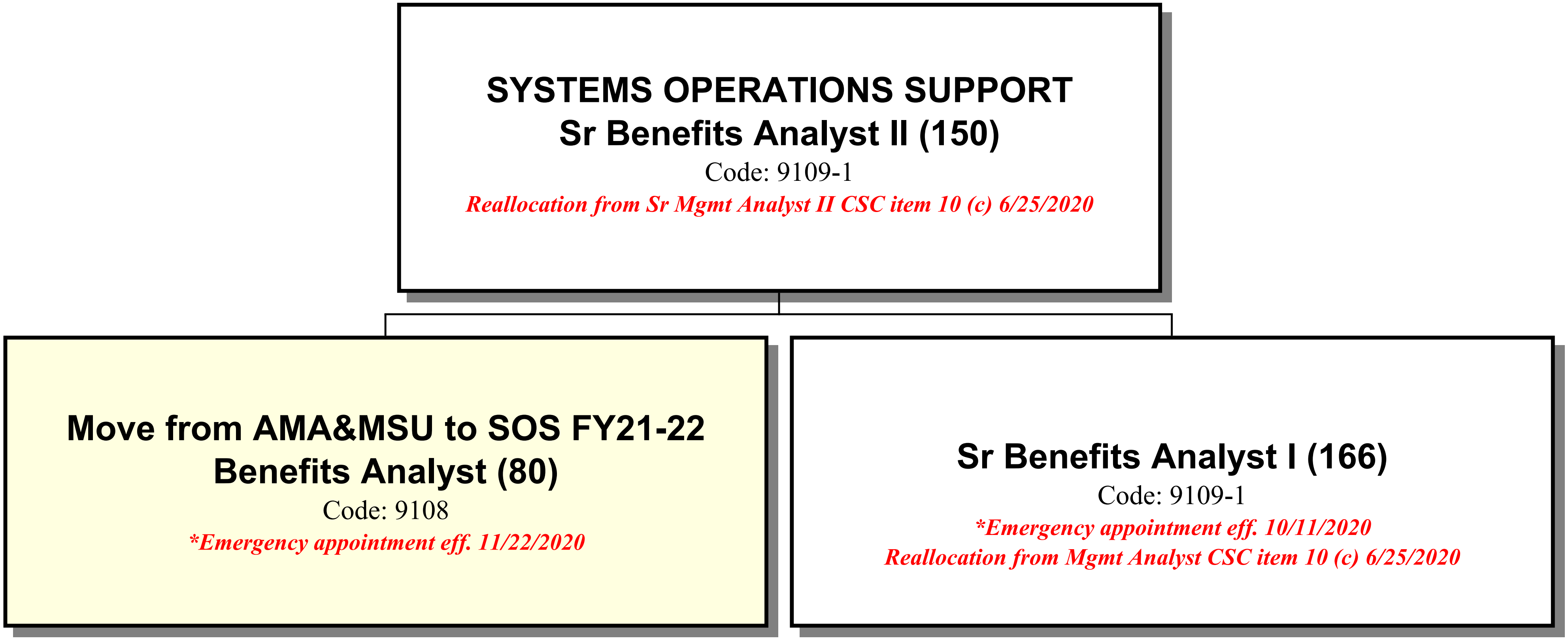

**SYSTEMS OPERATIONS SUPPORT**
**Sr Benefits Analyst II (150)**
Code: 9109-1
*Reallocation from Sr Mgmt Analyst II CSC item 10 (c) 6/25/2020*

**Move from AMA&MSU to SOS FY21-22**
**Benefits Analyst (80)**
Code: 9108
**Emergency appointment eff. 11/22/2020*

**Sr Benefits Analyst I (166)**
Code: 9109-1
**Emergency appointment eff. 10/11/2020*
*Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020*

**Updated 5/25/2021**

# LACERS

## PROPOSED ORGANIZATIONAL CHART FY 2021/2022

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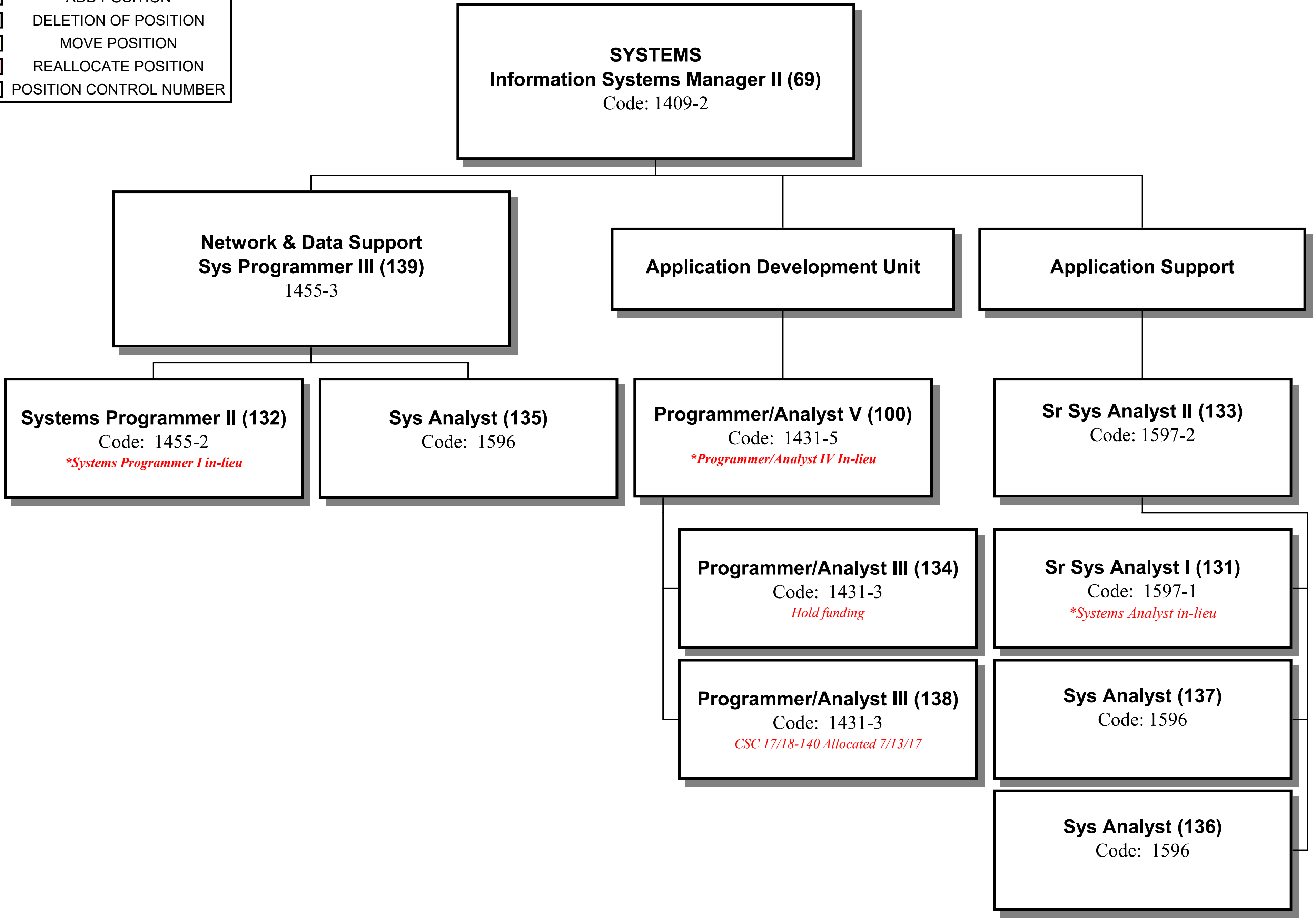

**Updated 5/25/2021**

ATTACHMENT 2 - EXHIBIT 8
ORGANIZATION CHART

# LACERS

## PROPOSED ORGANIZATIONAL CHART FY 2021/2022

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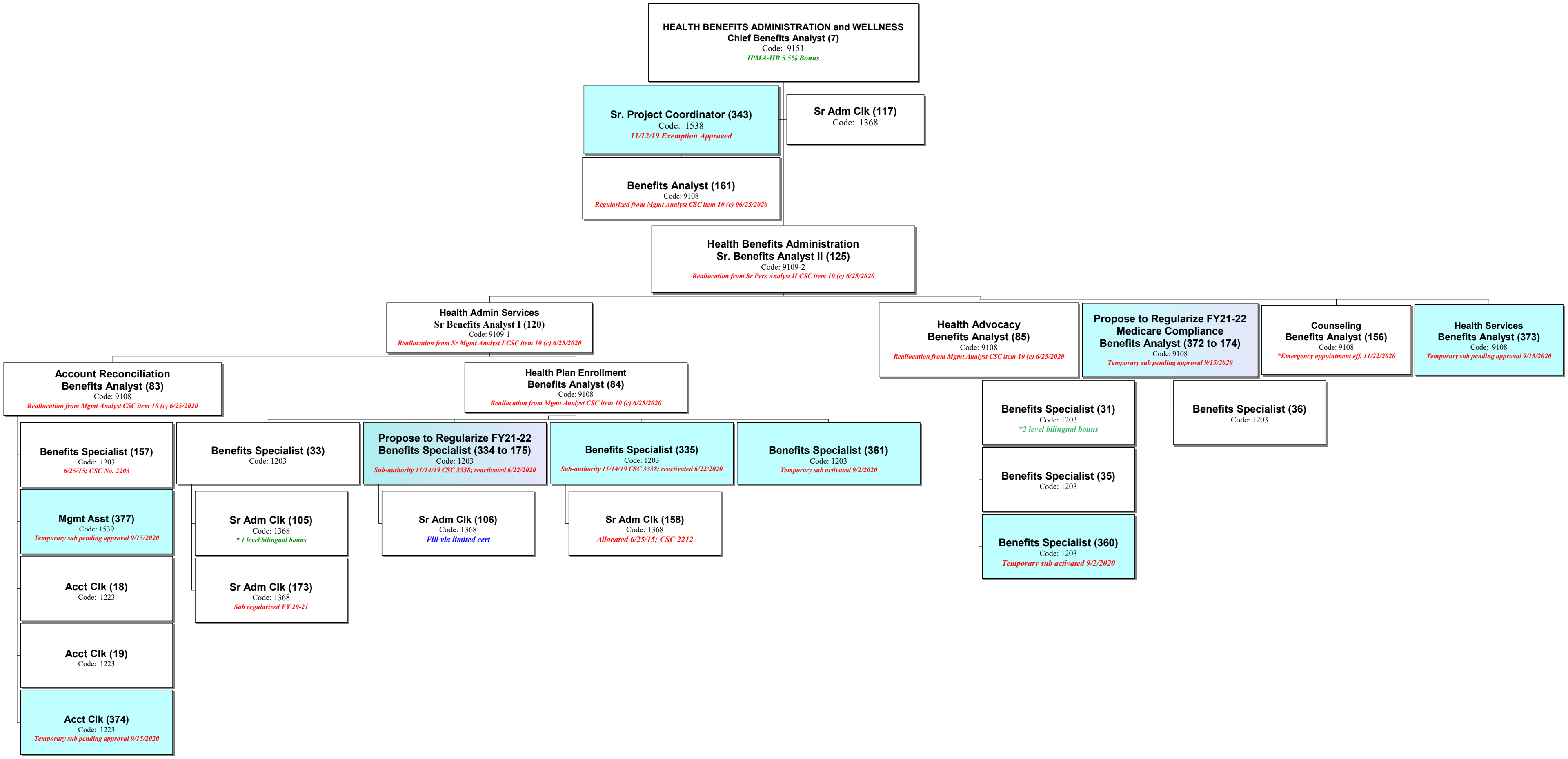

**HEALTH BENEFITS ADMINISTRATION and WELLNESS**
**Chief Benefits Analyst (7)**
Code: 9151
*IPMA-HR 5.5% Bonus*

**Sr. Project Coordinator (343)**
Code: 1538
*11/12/19 Exemption Approved*

**Sr Adm Clk (117)**
Code: 1368

**Benefits Analyst (161)**
Code: 9108
*Regularized from Mgmt Analyst CSC item 10 (c) 06/25/2020*

**Health Benefits Administration**
**Sr. Benefits Analyst II (125)**
Code: 9109-2
*Reallocation from Sr Pers Analyst II CSC item 10 (c) 6/25/2020*

**Health Admin Services**
**Sr Benefits Analyst I (120)**
Code: 9109-1
*Reallocation from Sr Mgmt Analyst I CSC item 10 (c) 6/25/2020*

**Account Reconciliation**
**Benefits Analyst (83)**
Code: 9108
*Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020*

**Benefits Specialist (157)**
Code: 1203
*6/25/15; CSC No. 2203*

**Mgmt Asst (377)**
Code: 1539
*Temporary sub pending approval 9/15/2020*

**Acct Clk (18)**
Code: 1223

**Acct Clk (19)**
Code: 1223

**Acct Clk (374)**
Code: 1223
*Temporary sub pending approval 9/15/2020*

**Health Plan Enrollment**
**Benefits Analyst (84)**
Code: 9108
*Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020*

**Benefits Specialist (33)**
Code: 1203

**Sr Adm Clk (105)**
Code: 1368
** 1 level bilingual bonus*

**Sr Adm Clk (173)**
Code: 1368
*Sub regularized FY 20-21*

**Propose to Regularize FY21-22**
**Benefits Specialist (334 to 175)**
Code: 1203
*Sub-authority 11/14/19 CSC 3338; reactivated 6/22/2020*

**Sr Adm Clk (106)**
Code: 1368
*Fill via limited cert*

**Benefits Specialist (335)**
Code: 1203
*Sub-authority 11/14/19 CSC 3338; reactivated 6/22/2020*

**Sr Adm Clk (158)**
Code: 1368
*Allocated 6/25/15; CSC 2212*

**Benefits Specialist (361)**
Code: 1203
*Temporary sub activated 9/2/2020*

**Health Advocacy**
**Benefits Analyst (85)**
Code: 9108
*Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020*

**Benefits Specialist (31)**
Code: 1203
**2 level bilingual bonus*

**Benefits Specialist (35)**
Code: 1203

**Benefits Specialist (360)**
Code: 1203
*Temporary sub activated 9/2/2020*

**Propose to Regularize FY21-22**
**Medicare Compliance**
**Benefits Analyst (372 to 174)**
Code: 9108
*Temporary sub pending approval 9/15/2020*

**Benefits Specialist (36)**
Code: 1203

**Counseling**
**Benefits Analyst (156)**
Code: 9108
**Emergency appointment eff. 11/22/2020*

**Health Services**
**Benefits Analyst (373)**
Code: 9108
*Temporary sub pending approval 9/15/2020*

**Updated 5/25/2021**

# LACERS

## PROPOSED ORGANIZATIONAL CHART FY 2021/2022

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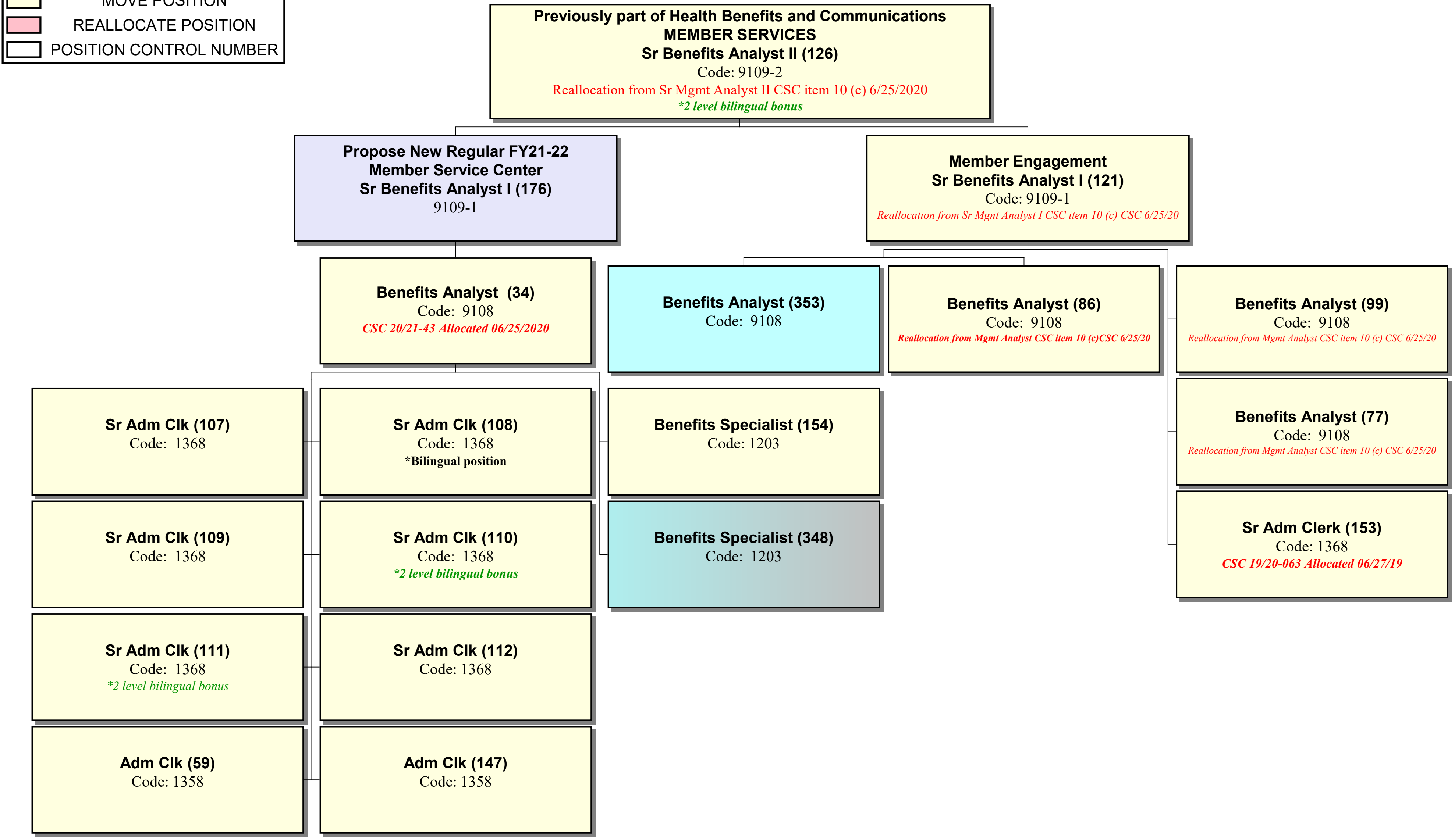

**Previously part of Health Benefits and Communications**
**MEMBER SERVICES**
**Sr Benefits Analyst II (126)**
Code: 9109-2
Reallocation from Sr Mgmt Analyst II CSC item 10 (c) 6/25/2020
**2 level bilingual bonus*

**Propose New Regular FY21-22**
**Member Service Center**
**Sr Benefits Analyst I (176)**
9109-1

**Member Engagement**
**Sr Benefits Analyst I (121)**
Code: 9109-1
*Reallocation from Sr Mgnt Analyst I CSC item 10 (c) CSC 6/25/20*

**Benefits Analyst (34)**
Code: 9108
*CSC 20/21-43 Allocated 06/25/2020*

**Benefits Analyst (353)**
Code: 9108

**Benefits Analyst (86)**
Code: 9108
*Reallocation from Mgmt Analyst CSC item 10 (c)CSC 6/25/20*

**Benefits Analyst (99)**
Code: 9108
*Reallocation from Mgmt Analyst CSC item 10 (c) CSC 6/25/20*

**Sr Adm Clk (107)**
Code: 1368

**Sr Adm Clk (108)**
Code: 1368
*Bilingual position

**Benefits Specialist (154)**
Code: 1203

**Benefits Analyst (77)**
Code: 9108
*Reallocation from Mgmt Analyst CSC item 10 (c) CSC 6/25/20*

**Sr Adm Clk (109)**
Code: 1368

**Sr Adm Clk (110)**
Code: 1368
**2 level bilingual bonus*

**Benefits Specialist (348)**
Code: 1203

**Sr Adm Clerk (153)**
Code: 1368
*CSC 19/20-063 Allocated 06/27/19*

**Sr Adm Clk (111)**
Code: 1368
**2 level bilingual bonus*

**Sr Adm Clk (112)**
Code: 1368

**Adm Clk (59)**
Code: 1358

**Adm Clk (147)**
Code: 1358

**Updated 5/25/2021**

# LACERS

## PROPOSED ORGANIZATIONAL CHART FY 2021/2022

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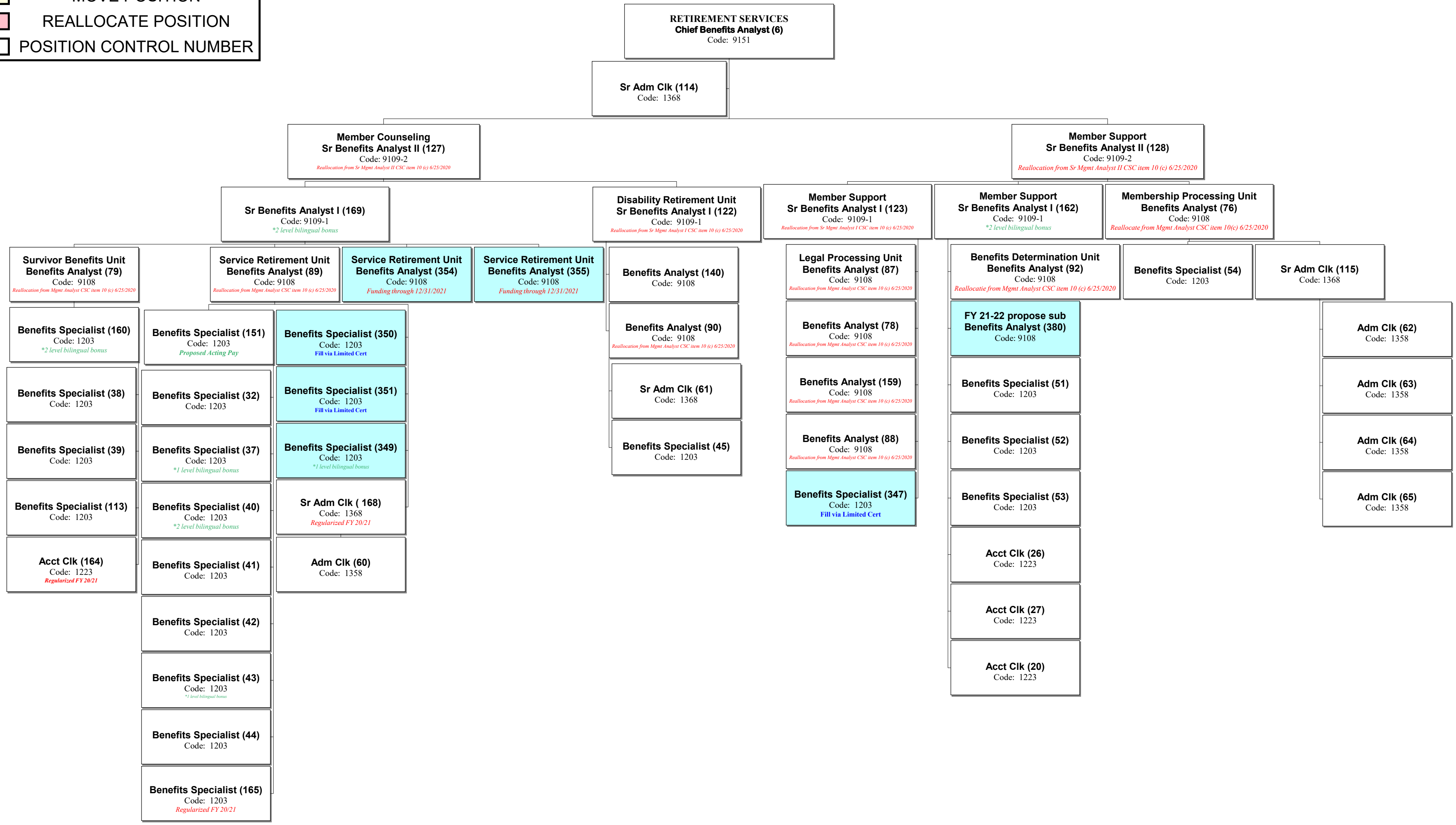

- **RETIREMENT SERVICES**<br>**Chief Benefits Analyst (6)** Code: 9151
  - **Sr Adm Clk (114)** Code: 1368
  - **Member Counseling Sr Benefits Analyst II (127)** Code: 9109-2 *Reallocation from Sr Mgmt Analyst II CSC item 10 (c) 6/25/2020*
    - **Sr Benefits Analyst I (169)** Code: 9109-1 **2 level bilingual bonus*
      - **Survivor Benefits Unit Benefits Analyst (79)** Code: 9108 *Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020*
        - **Benefits Specialist (160)** Code: 1203 **2 level bilingual bonus*
        - **Benefits Specialist (38)** Code: 1203
        - **Benefits Specialist (39)** Code: 1203
        - **Benefits Specialist (113)** Code: 1203
        - **Acct Clk (164)** Code: 1223 ***Regularized FY 20/21***
      - **Service Retirement Unit Benefits Analyst (89)** Code: 9108 *Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020*
        - **Benefits Specialist (151)** Code: 1203 ***Proposed Acting Pay***
        - **Benefits Specialist (32)** Code: 1203
        - **Benefits Specialist (37)** Code: 1203 **1 level bilingual bonus*
        - **Benefits Specialist (40)** Code: 1203 **2 level bilingual bonus*
        - **Benefits Specialist (41)** Code: 1203
        - **Benefits Specialist (42)** Code: 1203
        - **Benefits Specialist (43)** Code: 1203 **1 level bilingual bonus*
        - **Benefits Specialist (44)** Code: 1203
        - **Benefits Specialist (165)** Code: 1203 *Regularized FY 20/21*
        - 🟦 **Benefits Specialist (350)** Code: 1203 **Fill via Limited Cert**
        - 🟦 **Benefits Specialist (351)** Code: 1203 **Fill via Limited Cert**
        - 🟦 **Benefits Specialist (349)** Code: 1203 **1 level bilingual bonus*
        - **Sr Adm Clk ( 168)** Code: 1368 *Regularized FY 20/21*
        - **Adm Clk (60)** Code: 1358
      - 🟦 **Service Retirement Unit Benefits Analyst (354)** Code: 9108 *Funding through 12/31/2021*
      - 🟦 **Service Retirement Unit Benefits Analyst (355)** Code: 9108 *Funding through 12/31/2021*
    - **Disability Retirement Unit Sr Benefits Analyst I (122)** Code: 9109-1 *Reallocation from Sr Mgmt Analyst I CSC item 10 (c) 6/25/2020*
      - **Benefits Analyst (140)** Code: 9108
      - **Benefits Analyst (90)** Code: 9108 *Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020*
      - **Sr Adm Clk (61)** Code: 1368
      - **Benefits Specialist (45)** Code: 1203
  - **Member Support Sr Benefits Analyst II (128)** Code: 9109-2 *Reallocation from Sr Mgmt Analyst II CSC item 10 (c) 6/25/2020*
    - **Member Support Sr Benefits Analyst I (123)** Code: 9109-1 *Reallocation from Sr Mgmt Analyst I CSC item 10 (c) 6/25/2020*
      - **Legal Processing Unit Benefits Analyst (87)** Code: 9108 *Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020*
      - **Benefits Analyst (78)** Code: 9108 *Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020*
      - **Benefits Analyst (159)** Code: 9108 *Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020*
      - **Benefits Analyst (88)** Code: 9108 *Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020*
      - 🟦 **Benefits Specialist (347)** Code: 1203 **Fill via Limited Cert**
    - **Member Support Sr Benefits Analyst I (162)** Code: 9109-1 **2 level bilingual bonus*
      - **Benefits Determination Unit Benefits Analyst (92)** Code: 9108 *Reallocatie from Mgmt Analyst CSC item 10 (c) 6/25/2020*
      - 🟦 **FY 21-22 propose sub Benefits Analyst (380)** Code: 9108
      - **Benefits Specialist (51)** Code: 1203
      - **Benefits Specialist (52)** Code: 1203
      - **Benefits Specialist (53)** Code: 1203
      - **Acct Clk (26)** Code: 1223
      - **Acct Clk (27)** Code: 1223
      - **Acct Clk (20)** Code: 1223
    - **Membership Processing Unit Benefits Analyst (76)** Code: 9108 *Reallocate from Mgmt Analyst CSC item 10(c) 6/25/2020*
      - **Benefits Specialist (54)** Code: 1203
      - **Sr Adm Clk (115)** Code: 1368
      - **Adm Clk (62)** Code: 1358
      - **Adm Clk (63)** Code: 1358
      - **Adm Clk (64)** Code: 1358
      - **Adm Clk (65)** Code: 1358

**Updated 5/25/2021**

# LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

## PROPOSED RESOLUTION

## DELEGATION OF AUTHORITY TO THE GENERAL MANAGER TO APPROVE TRANSFERS BETWEEN APPROPRIATION ACCOUNTS FOR FISCAL YEAR 2021-22

WHEREAS, the Fiscal Year 2021-22 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 $57,056 in 2020-21;

WHEREAS, on May 25, 2021, the Board has approved the 2021-22 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.

May 25, 2021

# LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

## PROPOSED RESOLUTION

## AUTHORIZATION FOR DEPARTMENTAL EXEMPLARY STAFF RECOGNITION PROGRAM

## FISCAL YEAR 2021-22

WHEREAS, on March 11, 2003, the Board established a departmental Exemplary Staff Recognition Program to provide a framework for team building and recognition throughout the Department;

WHEREAS, the Board endeavors to continue the program in order to recognize employees for their efforts, and to identify role models who communicate the standards established through our guiding principles;

WHEREAS, funds for program-related expenditures during the 2021-22 Fiscal Year have been included in the FY 2021-22 Departmental budget in order to continue the program; and

WHEREAS, the Controller’s Office requires an annual Board Resolution confirming the establishment of the program in order to process future payments of related expenses;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby confirms the permanent establishment of the LACERS Exemplary Staff Recognition Program, and authorizes program-related expenditures for Fiscal Year 2021-22 not to exceed $2,000.

May 25, 2021

**LACERS**
**LA CITY EMPLOYEES' RETIREMENT SYSTEM**

**REPORT TO BOARD OF ADMINISTRATION** — **MEETING: MAY 25, 2021**
**From: Neil M. Guglielmo, General Manager** — **ITEM: VII – A**

Neil M. Guglielmo

SUBJECT: **REQUEST FOR PROPOSAL (RFP) FOR PRINTING, MAILING, AND GRAPHIC DESIGN AND POSSIBLE BOARD ACTION**

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

---

## Recommendation

That the Board approve contracting with California Marketing, KES Mail, Inc., Traffik, and Sapphire Business Solutions for Printing, Mailing, Website, and Graphic Design services with annual fees not to exceed $90,000 for a contract term of three years with an option to renew up to three additional years, and authorize the General Manager to negotiate and execute the contract and future renewal options.

## Discussion

On March 9, 2021, the Board approved the release of a Request for Proposal (RFP) for Printing, Mailing, Website, and Graphic Design. On March 10, 2021, the RFP was made available on LACERS' website and advertised on BAVN, the Los Angeles Business Assistance Virtual Network. The deadline for firms to submit their proposals was April 13, 2021.

Sixteen firms submitted responses to the RFP. A first-level review of their proposals conducted by the RFP Administrator determined that eleven firms complied with the submission requirements. A second-level review conducted by LACERS staff representing the Member Services Division, Health Benefits Administration and Wellness Division, and Retirement Services Division determined that four firms demonstrated the services, relevant experiences, and subject matter expertise to the standards LACERS requested in the RFP. Staff ranked the responses received based on the following criteria:

1) Professionalism
2) Proposed Scope of Services Description and Methodology
3) Qualifications, Experience, and Accomplishments
4) Value of Cost
5) Work Samples (Advisory)

Of the respondents, staff recommends awarding vendor status to four: California Marketing, KES Mail, Inc., Traffik, and Sapphire Business Solutions. These firms provide the following services:

|  | California Marketing Inc | KES Mail, Inc. | Traffik | Sapphire Business Solutions |
|---|---|---|---|---|
| Graphic Design | X |  | X | X |
| Website |  |  | X |  |
| Printing | X | X | X | X |
| Mailing | X | X | X | X |

These firms will primarily be used for graphic design, printing, and fulfillment purposes. All of the recommended firms have previous experience working with large businesses, including those in the Health industry, and are familiar with the unique communications that are required. California Marketing and KES Mail, Inc. are also incumbents having worked with LACERS in the previous contract term. Additionally, because of the overlap in the services offered by the recommended firms, LACERS will be able to control costs through competitive bidding, and having more than one firm available allows LACERS to meet its timeline goals by providing alternatives when one firm is unavailable to perform a job due to a schedule conflict.

Staff will continue to use General Services as the main print and mail services provider for smaller quantity LACERS publications.

## Strategic Alignment

This RFP aligns with Strategic Plan Goal 1(b), Customer Service: To Increase outreach to educate Members about their benefits, retirement planning, and the wellness program. Vendors awarded this contract will assist LACERS in providing retirement information to Active and Retired Members via a diverse array of platforms in line with established professional standards for communication and presentation.

Prepared By: Gabriel Perez, Benefits Analyst, Member Services Division

LP/TKL:gp

Attachments: 1. 2021 Printing, Mailing, Website and Graphic Design - Level II Review Scoring Sheet
2. Board Resolution

## ATTACHMENT 1

Printing, Mailing, Website, and Graphic Design RFP
Level II Review Scoring Sheet
Average Results

| | **California Marketing Inc** | **Chad O'L Public Relations** | **Citizen Group** | **Imagine That Design Studio** | **KES Mail, Inc.** |
|---|---|---|---|---|---|
| **Professionalism (15 pts)** | 13.00 | 9.67 | 13.33 | 13.00 | 13.00 |
| **Scope of Services (30 pts)** | 27.66 | 23.00 | 22.67 | 24.67 | 28.00 |
| **Qualifications, Experience, and Accomplishments (35 pts)** | 34.00 | 26.00 | 32.66 | 29.33 | 34.33 |
| **Value of Costs (20 pts)** | 18.00 | 13.33 | 14.33 | 16.33 | 17.33 |
| **Work Samples** | Advisory | | | | |
| **Total (100 pts)** | **92.66** | 72.00 | 82.99 | 83.33 | **92.66** |

## ATTACHMENT 1

Printing, Mailing, Website, and Graphic Design RFP
Level II Review Scoring Sheet
Average Results

| | **Olive & Spark Design** | **Pacific Document** | **Sapphire Business Solutions** | **Traffik** | **We Are Giants** | **We the Creative** |
|---|---|---|---|---|---|---|
| **Professionalism (15 pts)** | 13.33 | 13.67 | 13.67 | 15.00 | 15.00 | 14.00 |
| **Scope of Services (30 pts)** | 25.00 | 21.33 | 28.30 | 29.00 | 24.67 | 25.66 |
| **Qualifications, Experience, and Accomplishments (35 pts)** | 30.66 | 28.00 | 32.66 | 34.00 | 28.66 | 31.66 |
| **Value of Costs (20 pts)** | 17.66 | 16.66 | 18.00 | 18.00 | 17.00 | 17.66 |
| **Work Samples** | Advisory | | | | | |
| **Total (100 pts)** | 86.65 | 79.66 | **92.63** | **96.00** | 85.33 | 88.98 |

**ATTACHMENT 2**

# AUTHORIZATION TO CONTRACT WITH CALIFORNIA MARKETING, KES MAIL, INC., TRAFFIK, AND SAPPHIRE BUSINESS SOLUTIONS FOR PRINTING, MAILING, WEBSITE, AND GRAPHIC DESIGN SERVICES

## PROPOSED RESOLUTION

WHEREAS, on March 9, 2021, the Board authorized the issuance of a Request for Proposal to identify qualified outside Printing, Mailing, Website, and Graphic Design services providers;

WHEREAS, on April 13, 2021, sixteen firms responded to the Printing, Mailing, Website, and Graphic Design Request for Proposal;

WHEREAS, on May 26, 2021, based on staff's recommendation after evaluating and scoring the submitted written proposals, the Board approved contracting with California Marketing, KES Mail, Inc., Traffik, and Sapphire Business Solutions, to provide Printing, Mailing, Website, and Graphic Design services with annual fees not to exceed $90,000;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes the General Manager to negotiate and execute three-year contracts with California Marketing, KES Mail, Inc., Traffik, and Sapphire Business Solutions for Printing, Mailing, Website, and Graphic Design services with an option to renew the contracts for up to three additional years.

May 26, 2021

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

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

**MEETING: MAY 25, 2021**
**ITEM: VIII – B**

SUBJECT: **PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI) LETTER TO THE SECURITIES AND EXCHANGE COMMISSION REGARDING REQUEST FOR PUBLIC COMMENT ON CLIMATE CHANGE DISCLOSURE AND POSSIBLE BOARD ACTION**

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

## Recommendation

That the Board:

1. Consider and approve endorsement of PRI's letter to address the U.S. Securities and Exchange Commission (SEC) request for public comment on climate change disclosure; and

2. Authorize the General Manager to sign onto PRI's public comment letter.

## Executive Summary

On March 15, 2021, the Acting Chair of the SEC, Allison Herren Lee, issued a statement requesting public comments on climate change disclosures by June 14, 2021. PRI encourages signatories to: 1) submit comments to the SEC on climate change and ESG disclosure; and 2) sign onto PRI's letter advocating standardized, mandatory disclosure of ESG data and encouraging the SEC to build a mandatory corporate reporting regime for ESG information. Staff believes it is prudent to sign this letter in order to help signatories like LACERS fulfill their fiduciary duty to consider material information and make informed investment decisions. The deadline to sign onto PRI's letter is June 7, 2021.

## Discussion

Since 2010, investor demand for company disclosure of information about climate change risks, impacts, and opportunities has grown significantly. Currently, federal securities law does not explicitly require publicly traded companies to disclose specific climate-related risks. Instead, publicly traded companies are required to disclose such risks if they are deemed material to investors, thus relying on company management to use its judgment to complying with the "materiality" standard. Consequently, questions arise about whether current climate change disclosures adequately inform investors about known material risks, uncertainties, and impacts. Attachment 1 provides additional information on the history of ESG disclosures.

On March 15, 2021, the Acting Chair of the SEC, Allison Herren Lee, issued a statement requesting public comments on climate change disclosures by June 14, 2021 (Attachment 2). The statement provides 15 questions for consideration on climate change and broader ESG disclosures; the questions seek specific information on climate change, third-party standard setting, third-party verification and assurance, international alignment of standards, and disclosure of other ESG information beyond climate change. The SEC may use the information gathered from this request in proposed rulemaking in the future.

LACERS is committed to addressing ESG risk factors within its Investment Program. Rather than specifically responding to some or all of the 15 questions posed by the SEC, staff recommends signing onto PRI's letter (Attachment 3), which addresses the SEC's public comment request by supporting standardized, mandatory disclosure of ESG data and encouraging the SEC to build a mandatory corporate regime for ESG information. The deadline to sign onto the PRI letter is June 7, 2021. Should the Board approve this recommendation, PRI would add LACERS as a signatory to its letter.

## **Strategic Alignment**

The discussion of the SEC's request for comments on climate change disclosure aligns with the Strategic Plan Goals to optimize long-term risk adjusted investment returns (Goal IV) and to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

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

RJ/BF/EC:rm

Attachments:
1. PRI's US Policy Briefing: SEC Requests Comments on Climate Change Disclosure
2. SEC's Public Statement on Public Input Welcomed on Climate Change Disclosure
3. PRI's Letter to the SEC Regarding Request for Comments on Climate Change Disclosure

PRI Principles for Responsible Investment

# US POLICY BRIEFING: SEC REQUESTS COMMENTS ON CLIMATE CHANGE DISCLOSURE

On March 15, the Acting Chair of the Securities and Exchange Commission, Allison Herren Lee, issued a statement requesting public comment on climate change disclosures by June 14, 2021. The Acting Chair acknowledged the lack of consistent and comparable climate change information for investors under existing SEC regulations and provided a list of questions for market participants to answer to help inform SEC staff in reviewing existing disclosure rules for climate change information.

The PRI encourages signatories to:

- submit comments on climate and ESG data disclosure to the Commission, and
- sign the PRI's letter supporting standardized, mandatory disclosure of ESG data and encouraging the SEC to build a mandatory corporate reporting regime for ESG information, available on the Collaboration Platform.

## BACKGROUND

The Commission has maintained guidance on required disclosure of material environmental issues since the 1970s.[1] As those issues have evolved, so has the Commission's guidance. The Commission issued Guidance Regarding Disclosure Related to Climate Change in 2010 ('Guidance'),[2] with little impact. It argued that climate change may pose material risks and opportunities that should be disclosed by companies, which can include physical effects of climate change as well as regulatory risks and opportunities. The Guidance includes a list of different ways that climate change could be material; for example, new U.S. climate regulation, new international accords and agreements on climate change, changes in demand for goods and services based on climate related trends and innovation, and changes in weather patterns.[3] However, the Guidance has not resulted in a noticeable improvement in the quality or quantity of issuer disclosure.

In 2016, as part of the Disclosure Effectiveness Initiative, the SEC sought to update disclosure requirements. The Commission issued a Concept Release seeking public comment on efforts to modernize disclosure requirements, including a provision on ESG factors, under Regulation S-K, which sets out annual financial reporting requirements for public companies. The Concept Release and public comment solicitation did not lead to further action by the SEC to advance ESG disclosure.

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[1] Release No. 33-5170 (July 19, 1971) [36 FR 13989]

[2] Securities and Exchange Commission, Guidance Regarding Disclosure Related to Climate Change, available at: https://www.sec.gov/rules/interp/2010/33-9106.pdf

[3] Securities and Exchange Commission, 2010 Climate Guidance, available at: https://www.sec.gov/rules/interp/2010/33-9106.pdf.

In 2018, investors and associated organizations, including the PRI, petitioned the SEC to develop a mandatory ESG disclosure framework.[4] In the same year, the Government Accountability Office (GAO) issued a report on climate-related disclosure at the Commission, and found that the impact of the 2010 Guidance has been limited.[5] In addition, the GAO found that companies are not required to explain how they determined which information is material. Furthermore, the Commission does not have the authority to subpoena companies' disclosure information, which makes it difficult to determine whether any material information was not disclosed. In May 2020, the SEC Investor Advisory Committee recommended that the SEC update its disclosure requirements to include material ESG disclosure.[6] With the change in administration this year, the Commission turned its attention to ESG disclosure, with formal actions expected in the future.[7]

## REQUEST FOR COMMENT

The request for comment lists questions related to climate change disclosure, including questions regarding the type of information and metrics that should be disclosed, sector specific disclosures, information on existing voluntary frameworks and enforcement. The comments provided will be evaluated by SEC staff to assess how to facilitate disclosure of reliable and comparable climate information.[8] This is not a proposed rulemaking – a request for comment requests information and data from market participants on a specific topic – but the information provided in response could be used as the basis for a proposed rulemaking in the near future.

## NEXT STEPS

We recommend PRI signatories:

- Prepare to respond to the request for comment no later than the deadline of **June 14, 2021**.
- Sign onto PRI's letter, available on the Collaboration Platform.
- Comments can be submitted electronically through the SEC's webform or via email at rule-comments@sec.gov.

For questions and comments on this briefing, please email policy@unpri.org and to Colleen Orr, Senior Policy Analyst, at colleen.orr@unpri.org.

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[4] Cynthia A. Williams and Jill E. Fisch, Request for rulemaking on environmental, social and governance (ESG) disclosures, available at: https://www.sec.gov/rules/petitions/2018/petn4-730.pdf.
[5] GAO-13-188, Climate-related Risks: SEC Has Taken Steps to Clarify Disclosure Requirements, https://www.gao.gov/assets/700/690197.pdf.
[6] SEC, Recommendations of the SEC Investor Advisory Committee Relating to ESG Disclosure, available at: https://www.sec.gov/spotlight/investor-advisory-committee-2012/esg-disclosure.pdf.
[7] Acting Chair Lee directed the Division of Corporation Finance to focus on climate related financial disclosure and to update the 2010 Guidance Regarding Disclosure Related to Climate Change, available at: https://www.sec.gov/news/public-statement/lee-statement-review-climate-related-disclosure. The Division of Examinations announced its 2021 examination priorities, which include a clear ESG disclosure focus, available at: https://www.sec.gov/news/press-release/2021-39.
[8] SEC, Acting Chair Lee Public Statement on Climate Change Disclosures, available at: https://www.sec.gov/news/public-statement/lee-climate-change-disclosures.

**BOARD Meeting: 5/25/21**
**Item VIII-B**
**Attachment 2**

Public Statement

# Public Input Welcomed on Climate Change Disclosures

**Acting Chair Allison Herren Lee**

**March 15, 2021**

In light of demand for climate change information and questions about whether current disclosures adequately inform investors, public input is requested from investors, registrants, and other market participants on climate change disclosure.

The Securities and Exchange Commission (SEC or Commission) has periodically evaluated its regulation of climate change disclosures within the context of its integrated disclosure system. In 2010, the Commission issued an interpretive release that provided guidance to issuers as to how existing disclosure requirements apply to climate change matters.[1] The 2010 Climate Change Guidance noted that, depending on the circumstances, information about climate change-related risks and opportunities might be required in a registrant's disclosures related to its description of business, legal proceedings, risk factors, and management's discussion and analysis of financial condition and results of operations. The release outlined certain ways in which climate change may trigger disclosure obligations under the SEC's rules. It noted legislation and regulations governing climate change, international accords, changes in market demand for goods or services, and physical risks associated with climate change.

Since 2010, investor demand for, and company disclosure of information about, climate change risks, impacts, and opportunities has grown dramatically.[2] Consequently, questions arise about whether climate change disclosures adequately inform investors about known material risks, uncertainties, impacts, and opportunities, and whether greater consistency could be achieved. In May 2020, the SEC Investor Advisory Committee approved recommendations urging the Commission to begin an effort to update reporting requirements for issuers to include material, decision-useful environmental, social, and governance, or ESG factors.[3] In December 2020, the ESG Subcommittee of the SEC Asset Management Advisory Committee issued a preliminary recommendation that the Commission require the adoption of standards by which corporate issuers disclose material ESG risks.[4]

I am asking the staff to evaluate our disclosure rules with an eye toward facilitating the disclosure of consistent, comparable, and reliable information on climate change. To facilitate the staff's assessment, set forth below are questions that would be useful to consider as part of this evaluation.[5] In addition, a webform and email box are now available for the public to provide input on these issues. Public input on the Commission's disclosure rules and guidance as they apply to climate change disclosures, and whether and how they should be modified, can include comments on existing disclosure requirements in Regulation S-K and Regulation S-X (or, for foreign private issuers, Form 20-F), potential new Commission disclosure requirements, and potential new disclosure frameworks that the Commission might adopt or incorporate in its disclosure rules. In addition to the questions set forth below, comments generally as to how the Commission can best regulate climate change disclosures are welcomed.[6]

I encourage commenters to submit empirical data and other information in support of their comments. Original data from respondents, including academics, data providers, and other organizations, may assist in assessing the materiality of climate-related disclosures, and the costs and benefits of different regulatory approaches to climate disclosure.

## Questions for Consideration

1. How can the Commission best regulate, monitor, review, and guide climate change disclosures in order to provide more consistent, comparable, and reliable information for investors while also providing greater clarity to registrants as to what is expected of them? Where and how should such disclosures be provided? Should any such disclosures be included in annual reports, other periodic filings, or otherwise be furnished?
2. What information related to climate risks can be quantified and measured?  How are markets currently using quantified information? Are there specific metrics on which all registrants should report (such as, for example, scopes 1, 2, and 3 greenhouse gas emissions, and greenhouse gas reduction goals)? What quantified and measured information or metrics should be disclosed because it may be material to an investment or voting decision?  Should disclosures be tiered or scaled based on the size and/or type of registrant)? If so, how? Should disclosures be phased in over time? If so, how? How are markets evaluating and pricing externalities of contributions to climate change? Do climate change related impacts affect the cost of capital, and if so, how and in what ways? How have registrants or investors analyzed risks and costs associated with climate change? What are registrants doing internally to evaluate or project climate scenarios, and what information from or about such internal evaluations should be disclosed to investors to inform investment and voting decisions? How does the absence or presence of robust carbon markets impact firms' analysis of the risks and costs associated with climate change?
3. What are the advantages and disadvantages of permitting investors, registrants, and other industry participants to develop disclosure standards mutually agreed by them? Should those standards satisfy minimum disclosure requirements established by the Commission? How should such a system work? What minimum disclosure requirements should the Commission establish if it were to allow industry-led disclosure standards? What level of granularity should be used to define industries (e.g., two-digit SIC, four-digit SIC, etc.)?
4. What are the advantages and disadvantages of establishing different climate change reporting standards for different industries, such as the financial sector, oil and gas, transportation, etc.? How should any such industry-focused standards be developed and implemented?
5. What are the advantages and disadvantages of rules that incorporate or draw on existing frameworks, such as, for example, those developed by the Task Force on Climate-Related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB), and the Climate Disclosure Standards Board (CDSB)?[7] Are there any specific frameworks that the Commission should consider? If so, which frameworks and why?
6. How should any disclosure requirements be updated, improved, augmented, or otherwise changed over time? Should the Commission itself carry out these tasks, or should it adopt or identify criteria for identifying other organization(s) to do so? If the latter, what organization(s) should be responsible for doing so, and what role should the Commission play in governance or funding? Should the Commission designate a climate or ESG disclosure standard setter? If so, what should the characteristics of such a standard setter be? Is there an existing climate disclosure standard setter that the Commission should consider?

7. What is the best approach for requiring climate-related disclosures? For example, should any such disclosures be incorporated into existing rules such as Regulation S-K or Regulation S-X, or should a new regulation devoted entirely to climate risks, opportunities, and impacts be promulgated? Should any such disclosures be filed with or furnished to the Commission?
8. How, if at all, should registrants disclose their internal governance and oversight of climate-related issues? For example, what are the advantages and disadvantages of requiring disclosure concerning the connection between executive or employee compensation and climate change risks and impacts?
9. What are the advantages and disadvantages of developing a single set of global standards applicable to companies around the world, including registrants under the Commission's rules, versus multiple standard setters and standards? If there were to be a single standard setter and set of standards, which one should it be? What are the advantages and disadvantages of establishing a minimum global set of standards as a baseline that individual jurisdictions could build on versus a comprehensive set of standards? If there are multiple standard setters, how can standards be aligned to enhance comparability and reliability? What should be the interaction between any global standard and Commission requirements? If the Commission were to endorse or incorporate a global standard, what are the advantages and disadvantages of having mandatory compliance?
10. How should disclosures under any such standards be enforced or assessed?  For example, what are the advantages and disadvantages of making disclosures subject to audit or another form of assurance? If there is an audit or assurance process or requirement, what organization(s) should perform such tasks? What relationship should the Commission or other existing bodies have to such tasks? What assurance framework should the Commission consider requiring or permitting?
11. Should the Commission consider other measures to ensure the reliability of climate-related disclosures? Should the Commission, for example, consider whether management's annual report on internal control over financial reporting and related requirements should be updated to ensure sufficient analysis of controls around climate reporting? Should the Commission consider requiring a certification by the CEO, CFO, or other corporate officer relating to climate disclosures?
12. What are the advantages and disadvantages of a "comply or explain" framework for climate change that would permit registrants to either comply with, or if they do not comply, explain why they have not complied with the disclosure rules? How should this work? Should "comply or explain" apply to all climate change disclosures or just select ones, and why?
13. How should the Commission craft rules that elicit meaningful discussion of the registrant's views on its climate-related risks and opportunities? What are the advantages and disadvantages of requiring disclosed metrics to be accompanied with a sustainability disclosure and analysis section similar to the current Management's Discussion and Analysis of Financial Condition and Results of Operations?
14. What climate-related information is available with respect to private companies, and how should the Commission's rules address private companies' climate disclosures, such as through exempt offerings, or its oversight of certain investment advisers and funds?
15. In addition to climate-related disclosure, the staff is evaluating a range of disclosure issues under the heading of environmental, social, and governance, or ESG, matters. Should climate-related requirements be one component of a broader ESG disclosure framework? How should the Commission craft climate-related disclosure requirements that would complement a broader ESG disclosure standard? How do climate-related disclosure issues relate to the broader spectrum of ESG disclosure issues?

## How to Provide Feedback

Members of the public interested in making their input known on these or other related matters are invited to submit that input via the webform or e-mail address linked below. To help the staff process and review your comments more efficiently, please use only one of these methods. To the extent that you are responding to a particular question(s) above, please identify such question(s) in your submission. **Please submit comments within 90 days of the date of this statement**.

Submissions will generally be posted on www.sec.gov. Submissions received will be posted without change or redaction of personal identifying information. You should only make submissions that you wish to make available publicly.

In addition to, or in lieu of, making a written submission, staff in the Division of Corporation Finance would be happy to meet with members of the public to discuss their feedback on these and other related matters. Please contact Kristina Wyatt, Senior Special Counsel, at (202) 551-3181.

*Submit Input*: Webform | E-mail

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[1] Commission Guidance Regarding Disclosure Related to Climate Change, Release No. 33-9106 (Feb. 2, 2010) [75 FR 6290 (Feb 8, 2010)] (2010 Climate Change Guidance).

[2] *See, e.g.*, Managing Climate Risk in the U.S. Financial System, Report of the Climate-Related Market Risk Subcommittee, Market Risk Advisory Committee of the U.S. Commodity Futures Trading Commission (Sept. 2020); Business Roundtable, Addressing Climate Change, Principles and Policies (Sept. 2020); Network for Greening the Financial System, The Macroeconomic and Financial Stability Impacts of Climate Change (June 2020); SEC Rulemaking Petition (June 10, 2020); BlackRock, Getting physical: Scenario analysis for assessing climate-related risks (April 4, 2019).

[3] *See* Recommendation from the Investor-as-Owner Subcommittee of the SEC Investor Advisory Committee Related to ESG Disclosure (May 14, 2020).

[4] *See* Potential Recommendations of the ESG Subcommittee of the SEC Asset Management Advisory Committee (Dec. 1, 2020).

[5] Public input has previously been sought in this manner to inform potential rule changes. *See, e.g.*, Chairman Jay Clayton, Asset-Level Disclosure Requirements for Residential Mortgage-Backed Securities, Public Statement (Oct. 30, 2019).

[6] Last month, I issued a Statement on the Review of Climate-Related Disclosure directing the Division of Corporation Finance to review the extent to which public companies address the topics identified in the 2010 Climate Change Guidance and absorb lessons on how the market is currently managing climate-related risks. The staff will use insights from that work in considering updates to the 2010 Climate Change Guidance to take into account developments in the last decade. The review announced today, and the opening of the comment file, are meant to facilitate a broader evaluation of our disclosure rules as they relate to climate change, but may also inform the update of the 2010 Climate Change Guidance.

[7] This list is not meant to be exhaustive, and should also be construed to include potential successor organizations. *See, e.g.*, IIRC and SASB announce intent to merge in major step towards simplifying the corporate reporting system (Nov. 25, 2020).

## Related Materials

- Comments Received
- SEC Response to Climate and ESG Risks and Opportunities

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 20549

## REQUEST FOR COMMENT ON CLIMATE CHANGE DISCLOSURE

Dear Ms. Countryman,

The Principles for Responsible Investment (PRI) and its undersigned signatories welcome the opportunity to respond to the SEC's request for public comment on climate change disclosures. We commend the Commission for seeking public input in an effort to provide investors and the general public necessary information from issuers of public securities. We support standardized, mandatory disclosure of material climate and environmental, social and governance (ESG) information, helping us to fulfill our fiduciary obligation to fully consider material information and make informed investment decisions for long-term value creation.

Incorporating ESG issues in investment strategy, policy decisions and active ownership is regarded by investors and policy makers as part of their fiduciary duty. Investors agree that standardized, mandatory disclosure of material climate and environmental, social and governance (ESG) information is necessary to fulfill their fiduciary obligation to fully consider material information and make informed investment decisions for long-term value creation. In 2019,[1] and over the past decade,[2] funds which have been incorporating ESG factors continued to outperform the market. According to a long-term analysis by Morningstar, "a sample 745 Europe-based sustainable funds shows that the majority of strategies have outperformed than non-ESG funds over one, three, five and 10 years."[3] Calvert Research and Management found that over a ten-year period, companies in the top fifty percent of ESG ratings outperformed the bottom half by 6.8 percent.[4] A recent meta-analysis of over 1,000 research papers published between 2015-2020 confirms that companies

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[1] Jon Hale, Sustainable Equity Funds Outperform Traditional Peers in 2020 (Jan 2021), available at: https://www.morningstar.com/articles/1017056/sustainable-equity-funds-outperform-traditional-peers-in-2020.

[2] Morningstar, How Does European Sustainable Funds' Performance Measure Up? (2020), available at: https://www.morningstar.com/en-uk/lp/European-Sustainable-Funds-Performance.

[3] Financial Times, Majority of ESG funds outperform wider market over 10 years (June 2020), available at: https://www.ft.com/content/733ee6ff-446e-4f8b-86b2-19ef42da3824.

[4] PRI, Financial Performance of ESG Integration in US investing (2018), available at: https://www.unpri.org/download?ac=4218.

preparing for a low-carbon future financially outperform those that are not.[5] Consistent and standardized ESG data will help investors understand actions companies are taking to consider ESG factors, which will allow more accurate pricing of ESG risks and opportunities.

However, investors lack the consistent and comparable data on ESG factors necessary to integrate ESG considerations systematically and effectively into their investment practices. Currently, ESG information from issuers, when disclosed, is reported in voluntary formats, leaving investors to decode partial information and unable to regularly compare information between companies. Only with consistent, comparable and mandatory disclosure of issuer ESG data can investors actively mitigate risks and capitalize on opportunities, increasing the long-term value of their investments and at the same time financing sustainable economic growth.

The PRI and its undersigned signatories support standardized, mandatory disclosure of ESG data and encourage the SEC to build a mandatory corporate reporting regime for ESG information so that investors and their fiduciaries can have access to consistent and comparable data to inform their investment decisions.

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[5] NYU Center for Sustainable Business, ESG and Financial Performance: Uncovering the relationship by Aggregating Evidence from 1000 Plus Studies Published between 2015-2020 (Feb 2021), available at: https://www.stern.nyu.edu/sites/default/files/assets/documents/NYU-RAM_ESG-Paper_2021%20Rev_0.pdf.

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

# REPORT TO BOARD OF ADMINISTRATION

**From:** **Governance Committee**
Nilza R. Serrano, Chair
Annie Chao
Cynthia M. Ruiz

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

**MEETING:** **MAY 25, 2021**
**ITEM:** **VIII – C**

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SUBJECT: **PROPOSED AMENDMENT OF EMERGING INVESTMENT MANAGER POLICY AND POSSIBLE BOARD ACTION**

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

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## Recommendation

That the Board approve the proposed revisions to the Emerging Investment Manager Policy, as redlined in Attachment 1 of this report.

## Executive Summary

On February 23, 2021, the Governance Committee considered and concurred with staff's proposed revisions to the LACERS Emerging Investment Manager Policy (Policy) governing the use of the Organization Diversity Survey. On April 13, 2021, the Investment Committee considered and concurred with staff's proposed revisions to the Policy updating the emerging investment manager qualifying criteria for Public and Private Market Asset Classes.

## Discussion

LACERS maintains a comprehensive Investment Policy (IP) pursuant to Section 1106 of the Charter of the City of Los Angeles for the systematic administration of the City Employees' Retirement Fund to "…provide benefits to system participants and their beneficiaries and to assure prompt delivery of those benefits and related services; to minimize City contributions; and to defray the reasonable expenses of administering the system."

Pursuant to Section V.I of the IP, the Board shall review the IP at least annually, with the assistance of staff and investment consultants, and revise as necessary. As part of the Board's annual IP review, staff; LACERS' general fund consultant, NEPC, LLC; LACERS' private equity consultant, Aksia TorreyCove Partners LLC; and LACERS' private real estate consultant, The Townsend Group, propose amendments to the Policy, as contained in the attached redline document (Attachment 1).

At its meeting of February 23, 2021, the Governance Committee reviewed and discussed the incorporation of policy language (redlined in Section E of Attachment 1) governing the use of the Organization Diversity Survey (ODS) as a research tool to assist with outreach to qualified investment managers to participate in LACERS investment manager searches. Staff expounded that the proposed language sets forth guidelines that structure the survey collection and data analysis in a manner that adheres to public contracting laws. Staff also presented a draft of the ODS to which the Committee directed staff to include a board of directors composition table and expand the references to LGBTQ to LGBTQIA+ (see Attachment 4 for revised ODS). The Governance Committee concurs with staff's proposed ODS policy language and recommends that the Board approve the incorporation of this language into the Policy.

At its meeting of April 13, 2021, the Investment Committee reviewed and discussed proposed policy revisions to the emerging investment manager qualifying criteria (redlined in Section C of Attachment 1) with staff. Staff explained that the proposed amendments are intended to address changes in the emerging manager landscape. Staff also confirmed that it had discussed the proposed changes with LACERS' investment consultants and that it had reviewed emerging manager policies of comparable public pension plans. Further, the Committee directed staff to identify a replacement to the word "aspirational" as referenced in Section B of the Policy; staff proposes deleting this word from the Policy. The Investment Committee concurs with staff's proposed revisions and recommends that the Board approve these amendments to the Policy.

Upon the Board's approval of the amendments, staff may make additional minor administrative edits to be incorporated in the revised version of the IP.

## Strategic Alignment

The amendment of the LACERS Emerging Investment Manager Policy to codify the use of the Organization Diversity Survey and to update the emerging investment manager qualifying criteria for Public and Private Market Asset Classes aligns with the Strategic Plan Goals to optimize long-term risk adjusted investment returns (Goal IV), to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V), and to maximize organizational effectiveness and efficiency (Goal VI).

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

NMG/RJ/BF/WL/CH/JP

Attachments: 1. Emerging Manager Investment Policy – Proposed Revisions (Redline Version)
2. Emerging Manager Investment Policy – Proposed Revisions (Clean Version)
3. Emerging Manager Investment Policy – Current Board Approved Version
4. Organization Diversity Survey – Revised Draft

Proposed Revised Policy (Redline Version)
As of May 25, 2021

## IX. EMERGING INVESTMENT MANAGER POLICY

### A. Policy Objectives

The objective of this Emerging Investment Manager Policy ("Policy") is to identify investment firms with the potential to add value to the LACERS investment portfolio ("Fund") that would otherwise not be identified by the standard LACERS institutional investment manager search process. The Board believes that smaller investment management organizations may generate superior performance returns because of the increased market flexibility associated with smaller asset bases. The Policy provides criteria for LACERS to identify appropriate investment management organizations in their early business stages.

Consistent with the Board's fiduciary responsibility, the goal of this Policy is to locate and fund emerging investment managers with successful histories of generating positive alpha at an appropriate level of active risk. LACERS may consider an emerging investment manager mandate as part of any investment manager search undertaken by the Board, after Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate.

The Board recognizes that emerging investment managers may not possess the organizational depth and resources of larger investment management firms, and may represent a greater business risk. The Board also recognizes that prudent management of the System requires that emerging investment managers, once retained, will manage significantly smaller amounts of LACERS' assets than larger investment management firms. Each of these issues will result in greater oversight and administrative responsibilities for LACERS' staff, and will consequently be part of the evaluation whenever emerging investment managers are being considered for inclusion in a manager search.

Managers hired pursuant to this Emerging Investment Manager Policy will be held accountable to the same performance, reporting, and retention standards as all other LACERS investment managers within the same asset class.

### B. Emerging Investment Manager Goals

Public Markets: The Emerging Investment Manager ~~aspirational~~ policy goal for public market asset classes is no less than 10%, provided that Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate. During the presentation of the Annual Emerging Manager Report, Staff will report and explain any differences between the policy goal and actual reported exposures; and further explain any Staff and Consultant initiatives planned for the next year in order to achieve the policy goal. Two metrics will be calculated at least annually to compare actual results versus the goal: 1) Asset Class Metric: total market value of all emerging investment managers accounts within a respective public market asset class divided by total market value of the respective public market asset class; and 2) Manager

Search Metric: total dollars approved for contract with an Emerging Manager(s) divided by the total dollars approved for funding the respective investment manager search.

Private Markets: The Emerging Investment Manager ~~aspirational~~ policy goal for private market asset classes is no less than 10%, provided that Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate. During the presentation of the Annual Emerging Manager Report, Staff will report and explain any differences between the policy goal and actual reported exposures; and further explain any Staff and Consultant initiatives planned for the next year in order to achieve the policy goal. Two metrics will be calculated at least annually to compare actual results versus the goal: 1) Asset Class Metric: total dollar commitments of all emerging investment manager partnerships within a respective asset class divided by the total dollar market value of the respective asset class; and 2) Manager Search Metric: total dollar commitments provided to Emerging Managers within a specific private market asset class divided by the total dollar value of all investment commitments in the same private market asset class over rolling 36-month periods.

### C. **Emerging Investment Manager ~~Minimum~~ Criteria**

The following are ~~minimum~~ criteria for firms to gain status at~~qualify as~~ LACERS as an Emerging Investment Manager~~status under this Policy are as follows~~:

1. Public Market Asset Classes – *U.S. Equities, Non-US Equities, Core Fixed Income, Credit Opportunities, and Real Assets*
    a) Firm Assets Under Management: The firm will have no more than $2 billion in total firm assets under management at the time of hire.

    b) Strategy Assets Under Management: The firm must have a minimum of $50 million assets under management in the strategy being considered.

    c) Formation Date: The firm, if formed as a result of an organizational spin-out of at least a majority of the key investment team senior-level professionals, must have been in existence for a minimum of six months based on the entity's legal formation documents; otherwise the firm must have been in existence for a minimum of one year based on the entity's legal formation documents.

    d) Track Record: The portfolio manager must have a minimum of five years of verifiable experience managing the strategy being considered. The experience must include a GIPS-compliant performance track history attributable to the portfolio manager for the most recent 36-month period of the five-year verifiable experience requirement.

    e) Firm Ownership: No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.

    f) Maximum LACERS' Allocation: At the time of hire, funding in the investment strategy shall not exceed 20% of the total strategy AUM at the time of actual funding.

2. Private Market Asset Classes – *Private Equity, Real Assets (not including Private Real Estate), Credit Opportunities*

   a) Institutional Fund: First-, second-, or third-time institutional fund for a General Partner.

   ~~a)~~b) Maximum Fund Size: A first-time institutional fund may have investor commitments of no more than $750 million, $1 billion for a second-time institutional fund, and $1.25 billion for a third-time institutional fund.~~The General Partner will have no more than $1 billion in firm-wide assets (based on the fair market value) of the previous fund at the time staff concurred on the proposed commitment plus the current amount of the drawdown commitment of the previous fund.~~

   ~~b) First- or second-time institutional fund for a General Partner.~~

   ~~c) The Fund shall have a minimum fund size of $100 million in committed capital inclusive of LACERS' pending commitment.*~~

   ~~d)~~c) Formation Date: The firm, if formed as a result of an organizational spin-out of at least a majority of the key investment team senior-level professionals, must have been in existence for a minimum of six months based on the entity's legal formation documents; otherwise the firm must have been in existence for a minimum of one year based on the entity's legal formation documents.

   ~~e)~~d) Track Record: The firm must have a minimum track record of five years. Any firm with a track record of less than five years may utilize track records established at prior firms when performance can be clearly attributed to the emerging firm's key individuals and/or the specific team associated with the strategy being considered.

   ~~f)~~e) Firm Ownership: No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.

   f) LP Concentration: No Limited Partner can represent more than 30% of the total Fund's~~*~~ committed capital.*

   g) Minimum Fund Size: The Fund shall have a minimum fund size of $100 million in committed capital inclusive of LACERS' pending commitment.* For a venture capital fund strategy, the Fund shall have a minimum fund size of $75 million in committed capital inclusive of LACERS' pending commitment.*

   ~~g)~~h) Maximum LACERS' Commitment: LACERS' commitment in the strategy being considered shall not exceed 10% of the projected final closing fund size or $30 million, whichever is lower.

   **Excludes co-investments or sidecar investment vehicles.*

3. Private Market Asset Class – *Private Real Estate*

   ~~a) The General Partner will have no more than $2 billion in firm-wide assets (based on the fair market value) of the previous fund at the time staff concurred on the proposed commitment plus the current amount of the drawdown commitment of the previous fund.~~

~~b)~~a) Institutional Fund: First-, second-, or third-time institutional fund for a given General Partner.

b) Maximum Fund Size: The institutional fund may have investor commitments of no more than $2 billion.

~~c) The Fund shall have a minimum fund size of $150 million in committed capital inclusive of LACERS pending commitment.*~~

~~d)~~c) Formation Date: The firm, if formed as a result of an organizational spin-out of at least a majority of the key investment team senior-level professionals, must have been in existence for a minimum of six months based on the entity's leval formation documents; otherwise the firm must have been in existence for a minimum of one year based on the entity's legal formation documents.

~~e)~~d) Track Record: The firm must have a minimum track record of five years. Any firm with a track record of less than five years may utilize track records established at prior firms when performance can be clearly attributed to the emerging firm's key individuals and/or the specific team associated with the strategy being considered.

~~f)~~e) Firm Ownership: No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.

f) LP Concentration: No ~~client~~ Limited Partner can represent more than 30% of the total Fund's~~*~~ capital.*

g) Minimum Fund Size: The Fund shall have a minimum fund size of $150 million in committed capital inclusive of LACERS pending commitment.*

~~g)~~h) Maximum LACERS' Commitment: LACERS' commitment in the strategy being considered shall not exceed 10% of the projected final closing fund size or $30 million, whichever is lower. LACERS' commitment in the strategy for second- and third-time institutional funds shall not exceed 20% of the projected final fund closing size or $40 million, whichever is lower.

**Excludes co-investments or sidecar investments.*

## D. Provisions for Post-Emerging Firms

### 1. Public Markets

LACERS expects that successful emerging investment management firms will grow beyond the maximum $2 billion in assets under management. An emerging investment manager firm under contract to LACERS that successfully grows its assets under management and meets the minimum investment manager search criteria may be considered for a larger-sized mandate subject to (at minimum) meeting the Manager Search and Selection Criteria provided in the LACERS Manager Search and Selection Policy (Section VII of this document).

2. Private Markets

LACERS expects that successful emerging investment management firms will grow beyond raising first-,~~ and~~ second-, and third-time partnership funds. Opportunities for participating in subsequent funds may be considered provided that the strategy meets the criteria of LACERS' Private Equity Investment Policy, Private Real Estate Investment Policy, Credit Opportunities Strategy Statement, or another asset class policy unique to a respective private markets mandate.

## E. **Research, Education and Outreach**

The Board believes that research and education are essential components of formulating approaches and developing outreach programs to reach the broadest number of qualified investment managers to participate in LACERS investment manager searches.

To achieve this end, the Board may direct Staff to conduct research to include (but not limited to) the issuance of surveys and questionnaires, attendance at educational conferences and academically-sponsored events, and participation in discussions with industry experts and peer organizations.

The Board has identified the use of LACERS' Organization Diversity Survey (ODS) as one particular tool that can be useful in the gathering information to further LACERS' research objectives. In conducting research using the ODS, LACERS Board and Staff will adhere to the ODS Guidelines set forth below:

1. Request in an investment procurement solicitation that each participating firm complete and submit an ODS prior to the RFP submission deadline; and for private market investments, request on a best efforts basis that each general partner complete and submit an ODS prior to, or within a reasonable period following, LACERS' participation in its fund closing;
2. Direct each firm to return the completed ODS to an email address under the Administrative Services Division (ASD) of LACERS (or other designated division or unit outside the Investment Division);
3. Ensure that each ODS remains in a secured and password-protected folder known only to designated ASD staff and that an appropriate firewall be maintained to control access;
4. Examine collected ODS's once all contracts within a specific mandate have been executed;
5. Authorize the General Manager or designee to assign particular LACERS staff to review ODS's and conduct analyses of collected data once all contracts within a specific mandate have been executed;
6. Limit access to the ODS to particular individuals (Board members, General Manager, Chief Investment Officer, and other such staff as determined by the General Manager) who are part of a mandate's procurement selection process so as to avoid real or perceived conflicts of interest;

7. Protect the identity of each firm's ODS to those individuals named in ODS Guideline #6 and from public disclosure;
8. Report statistical findings of ODS's collected data within the last calendar year as part of the Annual Report of the Emerging Investment Managers reporting requirement under Section F.7 of this Policy or more frequently as directed by the Board or General Manager.

### ~~E.~~F. **Reporting**

Staff will report to the Board on the status of Emerging Investment Managers hired and retained on an annual calendar year basis. The annual report will include:

1. Names of Emerging Investment Manager firms hired during the calendar year.
2. Dollar amounts awarded to Emerging Managers.
3. Report of Emerging Investment Manager Goals Metrics pursuant to Section IX.B of this Policy.
4. List of all investment manager searches.
5. Staff and consultant efforts to increase the visibility of LACERS Emerging Investment Manager searches and Emerging Investment Manager representation within the total Fund portfolio.
6. Individual manager performance.

~~6.~~7. General trends and statistical findings of collected ODS's of the previous calendar year and other appropriate time periods.

Proposed Revised Policy (Clean Version)
As of May 25, 2021

## IX. EMERGING INVESTMENT MANAGER POLICY

### A. Policy Objectives

The objective of this Emerging Investment Manager Policy ("Policy") is to identify investment firms with the potential to add value to the LACERS investment portfolio ("Fund") that would otherwise not be identified by the standard LACERS institutional investment manager search process. The Board believes that smaller investment management organizations may generate superior performance returns because of the increased market flexibility associated with smaller asset bases. The Policy provides criteria for LACERS to identify appropriate investment management organizations in their early business stages.

Consistent with the Board's fiduciary responsibility, the goal of this Policy is to locate and fund emerging investment managers with successful histories of generating positive alpha at an appropriate level of active risk. LACERS may consider an emerging investment manager mandate as part of any investment manager search undertaken by the Board, after Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate.

The Board recognizes that emerging investment managers may not possess the organizational depth and resources of larger investment management firms, and may represent a greater business risk. The Board also recognizes that prudent management of the System requires that emerging investment managers, once retained, will manage significantly smaller amounts of LACERS' assets than larger investment management firms. Each of these issues will result in greater oversight and administrative responsibilities for LACERS' staff, and will consequently be part of the evaluation whenever emerging investment managers are being considered for inclusion in a manager search.

Managers hired pursuant to this Emerging Investment Manager Policy will be held accountable to the same performance, reporting, and retention standards as all other LACERS investment managers within the same asset class.

### B. Emerging Investment Manager Goals

Public Markets: The Emerging Investment Manager policy goal for public market asset classes is no less than 10%, provided that Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate. During the presentation of the Annual Emerging Manager Report, Staff will report and explain any differences between the policy goal and actual reported exposures; and further explain any Staff and Consultant initiatives planned for the next year in order to achieve the policy goal. Two metrics will be calculated at least annually to compare actual results versus the goal: 1) Asset Class Metric: total market value of all emerging investment managers accounts within a respective public market asset class divided by total market value of the respective public market asset class; and 2) Manager

Search Metric: total dollars approved for contract with an Emerging Manager(s) divided by the total dollars approved for funding the respective investment manager search.

Private Markets: The Emerging Investment Manager policy goal for private market asset classes is no less than 10%, provided that Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate. During the presentation of the Annual Emerging Manager Report, Staff will report and explain any differences between the policy goal and actual reported exposures; and further explain any Staff and Consultant initiatives planned for the next year in order to achieve the policy goal. Two metrics will be calculated at least annually to compare actual results versus the goal: 1) Asset Class Metric: total dollar commitments of all emerging investment manager partnerships within a respective asset class divided by the total dollar market value of the respective asset class; and 2) Manager Search Metric: total dollar commitments provided to Emerging Managers within a specific private market asset class divided by the total dollar value of all investment commitments in the same private market asset class over rolling 36-month periods.

### C. **Emerging Investment Manager Criteria**

The following are criteria for firms to gain status at LACERS as an Emerging Investment Manager:

1. Public Market Asset Classes – *U.S. Equities, Non-US Equities, Core Fixed Income, Credit Opportunities, and Real Assets*
   a) Firm Assets Under Management: The firm will have no more than $2 billion in total firm assets under management at the time of hire.
   b) Strategy Assets Under Management: The firm must have a minimum of $50 million assets under management in the strategy being considered.
   c) Formation Date: The firm, if formed as a result of an organizational spin-out of at least a majority of the key investment team senior-level professionals, must have been in existence for a minimum of six months based on the entity's legal formation documents; otherwise the firm must have been in existence for a minimum of one year based on the entity's legal formation documents.
   d) Track Record: The portfolio manager must have a minimum of five years of verifiable experience managing the strategy being considered. The experience must include a GIPS-compliant performance track history attributable to the portfolio manager for the most recent 36-month period of the five-year verifiable experience requirement.
   e) Firm Ownership: No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.
   f) Maximum LACERS' Allocation: At the time of hire, funding in the investment strategy shall not exceed 20% of the total strategy AUM at the time of actual funding.

2. <u>Private Market Asset Classes – *Private Equity, Real Assets (not including Private Real Estate), Credit Opportunities*</u>

   a) <u>Institutional Fund</u>: First-, second-, or third-time institutional fund for a General Partner.

   b) <u>Maximum Fund Size</u>: A first-time institutional fund may have investor commitments of no more than $750 million, $1 billion for a second-time institutional fund, and $1.25 billion for a third-time institutional fund.

   c) <u>Formation Date</u>: The firm, if formed as a result of an organizational spin-out of at least a majority of the key investment team senior-level professionals, must have been in existence for a minimum of six months based on the entity's legal formation documents; otherwise the firm must have been in existence for a minimum of one year based on the entity's legal formation documents.

   d) <u>Track Record</u>: The firm must have a minimum track record of five years. Any firm with a track record of less than five years may utilize track records established at prior firms when performance can be clearly attributed to the emerging firm's key individuals and/or the specific team associated with the strategy being considered.

   e) <u>Firm Ownership</u>: No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.

   f) <u>LP Concentration</u>: No Limited Partner can represent more than 30% of the total Fund's committed capital.*

   g) <u>Minimum Fund Size</u>: The Fund shall have a minimum fund size of $100 million in committed capital inclusive of LACERS' pending commitment.* For a venture capital fund strategy, the Fund shall have a minimum fund size of $75 million in committed capital inclusive of LACERS' pending commitment.*

   h) <u>Maximum LACERS' Commitment</u>: LACERS' commitment in the strategy being considered shall not exceed 10% of the projected final closing fund size or $30 million, whichever is lower.

   **Excludes co-investments or sidecar investment vehicles.*

3. <u>Private Market Asset Class – *Private Real Estate*</u>

   a) <u>Institutional Fund</u>: First-, second-, or third-time institutional fund for a given General Partner.

   b) <u>Maximum Fund Size</u>: The institutional fund may have investor commitments of no more than $2 billion.

   c) <u>Formation Date</u>: The firm, if formed as a result of an organizational spin-out of at least a majority of the key investment team senior-level professionals, must have been in existence for a minimum of six months based on the entity's leval formation documents; otherwise the firm must have been in existence for a minimum of one year based on the entity's legal formation documents.

d) Track Record: The firm must have a minimum track record of five years. Any firm with a track record of less than five years may utilize track records established at prior firms when performance can be clearly attributed to the emerging firm's key individuals and/or the specific team associated with the strategy being considered.

e) Firm Ownership: No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.

f) LP Concentration: No Limited Partner can represent more than 30% of the total Fund's capital.*

g) Minimum Fund Size: The Fund shall have a minimum fund size of $150 million in committed capital inclusive of LACERS pending commitment.*

h) Maximum LACERS' Commitment: LACERS' commitment in the strategy being considered shall not exceed 10% of the projected final closing fund size or $30 million, whichever is lower. LACERS' commitment in the strategy for second- and third-time institutional funds shall not exceed 20% of the projected final fund closing size or $40 million, whichever is lower.

**Excludes co-investments or sidecar investments.*

## D. Provisions for Post-Emerging Firms

1. Public Markets

LACERS expects that successful emerging investment management firms will grow beyond the maximum $2 billion in assets under management. An emerging investment manager firm under contract to LACERS that successfully grows its assets under management and meets the minimum investment manager search criteria may be considered for a larger-sized mandate subject to (at minimum) meeting the Manager Search and Selection Criteria provided in the LACERS Manager Search and Selection Policy (Section VII of this document).

2. Private Markets

LACERS expects that successful emerging investment management firms will grow beyond raising first-, second-, and third-time partnership funds. Opportunities for participating in subsequent funds may be considered provided that the strategy meets the criteria of LACERS' Private Equity Investment Policy, Private Real Estate Investment Policy, Credit Opportunities Strategy Statement, or another asset class policy unique to a respective private markets mandate.

## E. Research, Education and Outreach

The Board believes that research and education are essential components of formulating approaches and developing outreach programs to reach the broadest number of qualified investment managers to participate in LACERS investment manager searches.

To achieve this end, the Board may direct Staff to conduct research to include (but not limited to) the issuance of surveys and questionnaires, attendance at educational conferences and academically-sponsored events, and participation in discussions with industry experts and peer organizations.

The Board has identified the use of LACERS' Organization Diversity Survey (ODS) as one particular tool that can be useful in the gathering information to further LACERS' research objectives. In conducting research using the ODS, LACERS Board and Staff will adhere to the ODS Guidelines set forth below:

1. Request in an investment procurement solicitation that each participating firm complete and submit an ODS prior to the RFP submission deadline; and for private market investments, request on a best efforts basis that each general partner complete and submit an ODS prior to, or within a reasonable period following, LACERS' participation in its fund closing;
2. Direct each firm to return the completed ODS to an email address under the Administrative Services Division (ASD) of LACERS (or other designated division or unit outside the Investment Division);
3. Ensure that each ODS remains in a secured and password-protected folder known only to designated ASD staff and that an appropriate firewall be maintained to control access;
4. Examine collected ODS's once all contracts within a specific mandate have been executed;
5. Authorize the General Manager or designee to assign particular LACERS staff to review ODS's and conduct analyses of collected data once all contracts within a specific mandate have been executed;
6. Limit access to the ODS to particular individuals (Board members, General Manager, Chief Investment Officer, and other such staff as determined by the General Manager) who are part of a mandate's procurement selection process so as to avoid real or perceived conflicts of interest;
7. Protect the identity of each firm's ODS to those individuals named in ODS Guideline #6 and from public disclosure;
8. Report statistical findings of ODS's collected data within the last calendar year as part of the Annual Report of the Emerging Investment Managers reporting requirement under Section F.7 of this Policy or more frequently as directed by the Board or General Manager.

## F. **Reporting**

Staff will report to the Board on the status of Emerging Investment Managers hired and retained on an annual calendar year basis. The annual report will include:

1. Names of Emerging Investment Manager firms hired during the calendar year.
2. Dollar amounts awarded to Emerging Managers.
3. Report of Emerging Investment Manager Goals Metrics pursuant to Section IX.B of this Policy.
4. List of all investment manager searches.

5. Staff and consultant efforts to increase the visibility of LACERS Emerging Investment Manager searches and Emerging Investment Manager representation within the total Fund portfolio.
6. Individual manager performance.
7. General trends and statistical findings of collected ODS's of the previous calendar year and other appropriate time periods.

## IX. EMERGING INVESTMENT MANAGER POLICY

### A. Policy Objectives

The objective of this Emerging Investment Manager Policy (“Policy”) is to identify investment firms with the potential to add value to the LACERS investment portfolio (“Fund”) that would otherwise not be identified by the standard LACERS institutional investment manager search process. The Board believes that smaller investment management organizations may generate superior performance returns because of the increased market flexibility associated with smaller asset bases. The Policy provides criteria for LACERS to identify appropriate investment management organizations in their early business stages.

Consistent with the Board’s fiduciary responsibility, the goal of this Policy is to locate and fund emerging investment managers with successful histories of generating positive alpha at an appropriate level of active risk. LACERS may consider an emerging investment manager mandate as part of any investment manager search undertaken by the Board, after Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate.

The Board recognizes that emerging investment managers may not possess the organizational depth and resources of larger investment management firms, and may represent a greater business risk. The Board also recognizes that prudent management of the System requires that emerging investment managers, once retained, will manage significantly smaller amounts of LACERS’ assets than larger investment management firms. Each of these issues will result in greater oversight and administrative responsibilities for LACERS’ staff, and will consequently be part of the evaluation whenever emerging investment managers are being considered for inclusion in a manager search.

Managers hired pursuant to this Emerging Investment Manager Policy will be held accountable to the same performance, reporting, and retention standards as all other LACERS investment managers within the same asset class.

### B. Emerging Investment Manager Goals

Public Markets: The Emerging Investment Manager aspirational policy goal for public market asset classes is no less than 10%, provided that Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate . Two metrics will be calculated at least annually to compare actual results versus the goal: 1) Asset Class Metric: total market value of all emerging investment managers accounts within a respective public market asset class divided by total market value of the respective public market asset class; and 2) Manager Search Metric: total dollars approved for contract with an Emerging Manager(s) divided by the total dollars approved for funding the respective investment manager search.

Private Markets: The Emerging Investment Manager aspirational policy goal for private market asset classes is no less than 10%, provided that Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate . Two metrics will be calculated at least annually to compare actual results versus the goal: 1) Asset Class Metric: total dollar commitments of all emerging investment manager partnerships within a respective asset class divided by the total dollar market value of the respective asset class; and 2) Manager Search Metric: total dollar commitments provided to Emerging Managers within a specific private market asset class divided by the total dollar value of all investment commitments in the same private market asset class over rolling 36-month periods.

### C. Emerging Investment Manager Minimum Criteria

The following minimum criteria for firms to qualify as LACERS Emerging Investment Manager status under this Policy are as follows:

1. Public Market Asset Classes – *U.S. Equities, Non-US Equities, Core Fixed Income*
   - a) The firm will have no more than $2 billion in total firm assets under management at the time of hire.
   - b) The firm must have a minimum of $50 million assets under management in the strategy being considered.
   - c) The firm must have been in existence for a minimum of one year.
   - d) The portfolio manager must have a minimum of five years of verifiable experience managing the strategy being considered. The experience must include a GIPS-compliant performance track history attributable to the portfolio manager for the most recent 36-month period of the five-year verifiable experience requirement.
   - e) No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.
   - f) At the time of hire, funding in the investment strategy shall not exceed 20% of the total strategy AUM at the time of actual funding.
2. Private Market Asset Classes – *Private Equity, Real Assets (not including Real Estate), Credit Opportunities*
   - a) The General Partner will have no more than $1 billion in firm-wide assets (based on the fair market value) of the previous fund at the time staff concurred on the proposed commitment plus the current amount of the drawdown commitment of the previous fund.
   - b) First- or second-time institutional fund for a General Partner.
   - c) The Fund shall have a minimum fund size of $100 million in committed capital inclusive of LACERS' pending commitment.*

d) The firm must have been in existence for a minimum of one year.

e) The firm must have a minimum track record of five years. Any firm with a track record of less than five years may utilize track records established at prior firms when performance can be clearly attributed to the emerging firm's key individuals and/or the specific team associated with the strategy being considered.

f) No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.

g) No Limited Partner can represent more than 30% of the total Fund's* capital.

h) LACERS' commitment in the strategy being considered shall not exceed 10% of the projected final closing fund size or $30 million, whichever is lower.

**Excludes co-investments or sidecar investment vehicles.*

3. Private Market Asset Class – *Private Real Estate*

a) The General Partner will have no more than $2 billion in firm-wide assets (based on the fair market value) of the previous fund at the time staff concurred on the proposed commitment plus the current amount of the drawdown commitment of the previous fund.

b) First- or second-time institutional fund for a given General Partner.

c) The Fund shall have a minimum fund size of $150 million in committed capital inclusive of LACERS pending commitment.*

d) The firm must have been in existence for a minimum of one year.

e) The firm must have a minimum track record of five years. Any firm with a track record of less than five years may utilize track records established at prior firms when performance can be clearly attributed to the emerging firm's key individuals and/or the specific team associated with the strategy being considered.

f) No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.

g) No client can represent more than 30% of the total Fund's* capital.

h) LACERS' commitment in the strategy being considered shall not exceed 10% of the projected final closing fund size or $30 million, whichever is lower.

**Excludes co-investments or sidecar investments.*

## D. Provisions for Post-Emerging Firms

1. Public Markets

LACERS expects that successful emerging investment management firms will grow beyond the maximum $2 billion in assets under management. An emerging investment manager firm under contract to LACERS that successfully grows its assets under management and meets the minimum investment manager search criteria may be considered for a larger-sized mandate subject to (at minimum) meeting the Manager Search and Selection Criteria provided in the LACERS Manager Search and Selection Policy (Section VII of this document).

2. <u>Private Markets</u>

LACERS expects that successful emerging investment management firms will grow beyond raising first- and second-time partnership funds. Opportunities for participating in subsequent funds may be considered provided that the strategy meets the criteria of LACERS' Private Equity Investment Policy, Private Real Estate Investment Policy, Credit Opportunities Strategy Statement, or another asset class policy unique to a respective private markets mandate.

## E. **Reporting**

Staff will report to the Board on the status of Emerging Investment Managers hired and retained on an annual calendar year basis. The annual report will include:

1. Names of Emerging Investment Manager firms hired during the calendar year.
2. Dollar amounts awarded to Emerging Managers.
3. Report of Emerging Investment Manager Goals Metrics pursuant to Section IX.B of this Policy.
4. List of all investment manager searches.
5. Staff and consultant efforts to increase the visibility of LACERS Emerging Investment Manager searches and Emerging Investment Manager representation within the total Fund portfolio.
6. Individual manager performance.

# Los Angeles City Employees' Retirement System
# Organization Diversity Survey (ODS)

**The ODS is used for statistical purposes and is separate and apart from the RFP selection process. The surveys are opened and examined by LACERS staff only after the contract(s) is(are) awarded for the mandate. Please refer to the LACERS Emerging Investment Manager Policy, Section E, for more information on the use of the ODS.**

## Organization Information

**Firm Name:** ______________________________ **As of Date:** ____________________
**Address:** ______________________________
**Base of Operations (City/State/Country):** ______________________________
**This completed ODS is connected with the following RFP search (if applicable):** ____________________
**Firm AUM in $000,000:** __________

## Organization Workforce Composition

**Total Number of Firm Employees:** __________
**Number of U.S.-Based Employees:** __________

**Instructions:** *Provide employee count under the applicable Race/Ethnicity and Gender (columns) and under the applicable workforce category (rows). Grand total should equal total number of firm employees. For Veteran Status, Disability Status and LGBTQIA+ Status, provide employee count as classifiable under these statuses and under the applicable workforce category.*

| | American Indian or Native Alaskan | | Asian | | Black or African American | | Hispanic or Latino | | Native Hawaiian or Other Pacific Islander | | White | | Two or More Races | | TOTAL | | Veteran Status | Diasbility Status | LGBTQIA+ Status |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Protected Veteran | Disabled | LGBTQIA+ |
| Exec / Sr Officials & Managers | | | | | | | | | | | | | | | 0 | 0 | | | |
| Investment Professionals | | | | | | | | | | | | | | | 0 | 0 | | | |
| *SUBTOTAL* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Professionals - Operations, Compliance, etc. | | | | | | | | | | | | | | | 0 | 0 | | | |
| Professional - Sales / Marketing & Client Services | | | | | | | | | | | | | | | 0 | 0 | | | |
| Administrative Support, Office/Clerical | | | | | | | | | | | | | | | 0 | 0 | | | |
| Other Non-Professionals | | | | | | | | | | | | | | | 0 | 0 | | | |
| *SUBTOTAL* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTALS | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | **0** | | **0** | | **0** | | **0** | | **0** | | **0** | | **0** | | **0** | | | | |
| | **0** | | | | | | | | | | | | | | | | | | |

**BOARD Meeting: 5/25/21**
**Item VIII-C**
**Attachment 4**

## Board of Directors Composition

**Number of Directors on the Firm's Board of Directors:** ______________

**Instructions:** *Provide Board Director count under the applicable Race/Ethnicity and Gender (columns). Grand total should equal total number of Directors on the Board of Directors. For Veteran Status, Disability Status and LGBTQIA+ Status, provide Director count as classifiable under these statuses.*

| | American Indian or Native Alaskan | | Asian | | Black or African American | | Hispanic or Latino | | Native Hawaiian or Other Pacific Islander | | White | | Two or More Races | | TOTAL | | Veteran Status | Diasbility Status | LGBTQIA+ Status |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Protected Veteran | Disabled | LGBTQIA+ |
| **Board Members** | | | | | | | | | | | | | | | 0 | 0 | | | |
| **TOTALS** | 0 | | 0 | | 0 | | 0 | | 0 | | 0 | | 0 | | 0 | | | | |

**American Indian or Native Alaskan** A person having origins in any of the original peoples of North and South America (including Central America), and who maintain tribal affiliation or community attachment.
**Asian** A person having origins in any of the original peoples of the Far East, Southeast Asia, or the Indian Subcontinent, including, but not limited to, Cambodia, China, India, Japan, Korea, Malaysia, Pakistan, the Philippine Islands, Thailand and Vietnam.
**Black or African American** A person having origins in any of the black racial groups of Africa.
**Hispanic or Latino** A person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin regardless of race.
**Native Hawaiian or Other Pacific Islander** A person having origins in any of the peoples of Hawaii, Guam, Samoa or other Pacific Islands.
**White** A person having origins in any of the original peoples of Europe, the Middle East or North Africa.

## Firm Ownership

**Percentage of Firm Owned by Employees:** ______________

**Instructions:** *Provide percentage of employee ownership under the applicable Race/Ethnicity and Gender. Grand total should equal percentage of firm owned by employees. For Veteran Status, Disability Status and LGBTQIA+ Status, provide percentage of ownership of employees as classifiable under these statuses.*

| | American Indian or Native Alaskan | | Asian | | Black or African American | | Hispanic or Latino | | Native Hawaiian or Other Pacific Islander | | White | | Two or More Races | | TOTAL | | Veteran Status | Diasbility Status | LGBTQIA+ Status |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Protected Veteran | Disabled | LGBTQIA+ |
| **Employee Ownership (Percentage)** | | | | | | | | | | | | | | | 0.00% | 0.00% | | | |
| **TOTALS** | 0.00% | | 0.00% | | 0.00% | | 0.00% | | 0.00% | | 0.00% | | 0.00% | | 0.00% | | | | |

## Questionnaire

**Is the firm majority-owned by women, racial or ethnic minorities, or other underrepresented groups? Please identify ownership composition in the space below.**

**Response:**

**Does the firm focus recruitment of women, racial or ethnic minorities, or other underrepresented populations particularly for senior-level positions? Please discuss successes and/or challenges in the space below.**

**Response:**

**Does the firm have a written Diversity and Inclusion Recruiting Program/Strategy? (i.e. outreach, hiring, mentoring and/or scholarship programs designed to create a pipeline of minority and women professional talent to the firm or promotion of such groups to senior-level positions within the firm). If Yes, please list initiatives or actions carried out by the firm under this program/strategy in the space below.**

**Response:**

**Please provide any additional explanation to the completion of the ODS and/or the aforementioned questions in the space below.**

**Response:**

## Contact Information

**Completed by:** ______________________________

**Position/Title:** ______________________________

**Phone Number:** ______________________________

**E-mail Address:** ______________________________

**Date Completed:** ______________________________

**LACERS**
**LA CITY EMPLOYEES' RETIREMENT SYSTEM**

**REPORT TO BOARD OF ADMINISTRATION** **MEETING: MAY 25, 2021**
**From: Neil M. Guglielmo, General Manager** **ITEM: VIII – D**

SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO $10 MILLION IN ULU VENTURES FUND III, L.P.**

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

## Recommendation

That the Board receive and file this notice of the commitment of up to $10 million in Ulu Ventures Fund III, L.P.

## Executive Summary

Ulu Ventures Fund III, L.P. will focus on seed and early-stage companies in software, software-as-a-service, fintech and IoT (internet of things) sectors in North America.

## Discussion

*Consultant Recommendation*
Aksia TorreyCove Partners LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to $10 million in Ulu Ventures Fund III, L.P. (the Fund) managed by Ulu Ventures (Ulu or the GP). 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 2021 Strategic Plan adopted by the Board on November 24, 2020.

*Background*
Ulu Ventures is a seed and early-stage stage venture firm, based in Palo Alto, founded in 2008 by Miriam Rivera and Clint Korver. Ms. Rivera and Mr. Korver have worked as a business team for more than 13 years, initially co-founding a software development company and later co-founding Ulu. As of May 2021, Ulu has invested approximately $65 million in more than 150 investments across all of its funds.

Prior to founding Ulu, Ms. Rivera was vice president/deputy general counsel at Google, which she joined in 2001 as the second attorney on staff. Ms. Rivera is co-founder, former co-president and a board member of Stanford Angels & Entrepreneurs; a Kauffman Fellow in venture capital; and a board member of the Kauffman Foundation. She serves on the Investment Committee of Acumen Fund America, an impact investment fund serving the needs of low-income Americans and on the Launch with GS Advisory Council, an initiative by Goldman Sachs to reduce the investing gap for Black and

LatinX founders. Mr. Korver, prior to founding Ulu, was a serial entrepreneur, co-founding and leading four Silicon Valley start-ups. He is a Kauffman Fellow in venture capital, has taught entrepreneurship in the Stanford School of Engineering; mentors at StartX, Stanford's accelerator; co-founded Stanford Angels & Entrepreneurs; and served as a Venture Partner at Crescendo Ventures.

Ulu Ventures is a new general partner relationship for LACERS and meets the criteria as an Emerging Investment Manager pursuant to the LACERS Emerging Investment Manager Policy.

*Investment Thesis*

Ulu Ventures invests in seed and early-stage enterprise-oriented technology companies primarily sourced through Stanford University and the Silicon Valley ecosystem. The GP will seek board seats in portfolio companies and collaborate with founders and board members. Ulu seeks to generate attractive returns using a disciplined, repeatable decision making process that analyzes risk-reward trade-offs. To this end, Ulu has created a proprietary investment process that aims to reduce risk and increase returns. Ulu focuses its attention on sourcing entrepreneurs within underrepresented groups including women, LatinX, African Americans, including other U.S.-born minorities, and entrepreneurs who are immigrants of non-European ancestry, with over 80% of the portfolio companies having a member of an underrepresented group on the founding team.

*Placement Agent*

The GP did not use a placement agent in connection with LACERS' investment.

*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 Alignment

Investment in Ulu Ventures Fund III, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2021 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/BF/WL/CH:rm

| | |
|---|---|
| Attachments: | 1. Aksia TorreyCove Investment Notification<br>2. Discretion in a Box |

Aksia LLC

# Ulu Ventures Fund III, L.P.
# Investment Notification

Aksia
New York • London • Tokyo

www.aksia.com

# Ulu Ventures Fund III, L.P.

| | |
|---|---|
| Firm | • Ulu Ventures ("Ulu" or the "Firm") |
| Fund | • Ulu Ventures Fund III, L.P. ("Fund III" or the "Fund") |
| Firm Founded | • 2008 |
| Strategy | • Venture Capital |
| Sub-Strategy | • Seed-Stage and Early-Stage |
| Geography | • Primarily North America |
| Team | • ~5 investment professionals |
| Senior Partners | • Miriam Rivera and Clint Korver |
| Office Locations | • Palo Alto, CA |
| Industries | • Software, software-as-a-service, fintech, and IoT |
| Target Fund Size | • $100 million |
| LACERS Investment | • $10 million |

## Investment Highlights

- Miriam Rivera and Clint Korver have worked as a team for 13 years, initially co-founding Outcome Software (a software development company) and later co-founding Ulu Ventures.
- The Managing Partners have strong ties to Stanford University and its ecosystem which, according to Pitchbook includes over 4,000 companies founded by Stanford alumni since 2010.
- The Ulu team has demonstrated its ability to identify companies during their seed-stage that have ultimately become successful.
- Ulu fits the criteria of an Emerging Manager for LACERS.

# Ulu Ventures Fund III, L.P.

## Firm and Background

- The Firm's Managing Partners, Miriam Rivera and Clint Korver, met at Stanford business school and have been married for 20+ years.
- In 2008, Rivera and Korver began investing their personal capital together in seed-stage technology companies, investing $3.5 million into 64 companies between 2008 to 2015, now referred to as Ulu Fund I.
- In 2016, Rivera and Korver raised its first institutional fund with outside capital, raising $66.0 million for Ulu Ventures Fund II.

## Investment Strategy

- The Firm will make minority investments in seed and early-stage companies in software, software-as-a-service, fintech, and IoT sectors.
- The Fund will follow a similar strategy as its predecessor fund, investing in enterprise-oriented technology companies primarily sourced through Stanford University and Silicon Valley.
- Fund III is expected to have an average investment size of $750.0 thousand (compared to $500.0 thousand in Fund II). Fund III will target of ~70 portfolio companies, similar to its previous two funds.
- The Firm focuses on sourcing investments within underrepresented groups including women, LatinX, African Americans, and entrepreneurs who are immigrants of non-European ancestry.
- Post investment, Ulu plays an active role in aiding portfolio companies to their next fundraise or milestone. Ulu seeks board seats in investments it leads, however, regardless of a board seat, Ulu often works closely with founders to fill gaps or shortcomings in the team.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE.

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

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

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

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

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

### F. Roles and Responsibilities

| | Role of the Board | Role of Staff | Role of the Private Equity Consultant |
|---|---|---|---|
| **Strategy/Policy** | • Select Private Equity Consultant.<br>• Approve asset class funding level.<br>• Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges. | • In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. | • Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. |

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

| | Role of the Board | Role of Staff | Role of the Private Equity Consultant |
|---|---|---|---|
| **Investment Selection** | • Review investment analysis reports.<br>• Review and approve investments in new partnerships of amounts greater than $50 million prior to investment.<br>• Review and approve investments in follow-on partnerships of amounts greater than $100 million prior to investment.<br>• Review and approve direct co-investment opportunities that exceed $50 million.<br>• Review and approve the sale of any one existing partnership fund on the secondary market exceeding $50 million in Fair Market Value.<br>• Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure. | • Refer investments and forward to Private Equity Consultant for preliminary screening.<br>• Conduct meetings with prospective or existing general partners representing new investment opportunities.<br>• Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer.<br>• In conjunction with Private Equity Consultant, invest up to and including $50 million for new partnerships, and up to and including $100 million for follow-on funds without Board approval. If Staff opposes and Private Equity Consultant disagrees, refer to Board for decision.<br>• 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.<br>• In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including $50 million.<br>• In conjunction with Private Equity Consultant, review and concur with the approval of sale of existing partnership funds on the secondary market up to and including $50 million in Fair Market Value.<br>• General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing.<br>• Ensure review of relevant fund documents by the City Attorney and/or external legal counsel. | • Conduct appropriate analysis and due diligence on investments.<br>• Prepare investment reports for Board consideration on investments exceeding $50 million for new managers, or exceeding $100 million in follow-on funds.<br>• With Staff concurrence, approve investments of up to and including $50 million for new partnerships, and up to and including $100 million in follow-on funds.<br>• With Staff concurrence, approve direct co-investment opportunities up to and including $50 million.<br>• Present to Staff recommendations pertaining to the sale of existing partnership funds on the secondary market exceeding $50 million in Fair Market Value. Such transactions shall be brought to the Board for review and approval.<br>• Provide investment analysis reports for each new investment and for sales of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).<br>• Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence.<br>• Coordinate meetings with general partners at the request of Staff.<br>• Advise on and negotiate investment terms. |

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

| | Role of the Board | Role of Staff | Role of the Private Equity Consultant |
|---|---|---|---|
| **Investment Monitoring** | • Review quarterly, annual, and other periodic monitoring reports and plans.<br>• Review Commitment Notification Reports. | • Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.<br>• Conduct meetings with existing managers periodically.<br>• Attend annual partnership meetings when appropriate.<br>• Fund capital calls and manage distributions.<br>• Review Private Equity Consultant's recommendations on partnership amendments and consents.<br>• Execute partnership amendments and consents.<br>• Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.<br>• Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).<br>• Prepare Commitment Notification Reports for Board. | • Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.<br>• Recommend amendments and consents to Staff for approval.<br>• Provide quarterly, annual, and other periodic monitoring reports and plans. |

**LACERS**
**LA CITY EMPLOYEES' RETIREMENT SYSTEM**

**REPORT TO BOARD OF ADMINISTRATION** **MEETING: MAY 25, 2021**
**From: Neil M. Guglielmo, General Manager** **ITEM: VIII – E**

SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO $11 MILLION IN MILL POINT CAPITAL PARTNERS II, L.P.**

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

## Recommendation

That the Board receive and file this notice of the commitment of up to $11 million in Mill Point Capital Partners II, L.P.

## Executive Summary

Mill Point Capital Partners II, L.P. will focus on control investments in lower-middle market businesses, with a focus on industrial and business services companies in North America.

## Discussion

### *Consultant Recommendation*

Aksia TorreyCove Partners LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to $11 million in Mill Point Capital Partners II, L.P. (the Fund), a lower middle market buyout strategy managed by Mill Point Capital (Mill Point or the GP). 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 2021 Strategic Plan adopted by the Board on November 24, 2020.

### *Background*

Mill Point was founded in 2013 and is led by Michael Duran and Dustin Smith. Prior to founding the firm in 2013, Mr. Duran was a Managing Director at Ripplewood Holdings. Mr. Smith was a Managing Director and Head of Industrials at American Capital. The GP is based in New York City and has 10 investment professionals.

Mill Point is an existing general partner relationship for LACERS and meets the criteria as an Emerging Investment Manager pursuant to the LACERS Emerging Investment Manager Policy. LACERS previously committed $10.0 million to Mill Point Capital Partners I, L.P. (2017 vintage), which has earned a net internal rate of return (IRR) of 30.5%.[1, 2]

*Investment Thesis*

The Fund will focus on making control investments in North American-domiciled middle market companies within the industrial and business services sectors. Specifically, Mill Point invests in businesses undergoing transition, such as management changes or operational turnarounds, and in established businesses seeking continued growth. The GP seeks board control of portfolio companies and provides strategic and operational guidance to add value. The GP generally invests between $20 million and $100 million in companies with enterprise values between $50 million and $500 million.

*Placement Agent*

The GP utilized Acalyx Advisors as a placement agent.

*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 Alignment

Investment in Mill Point Capital Partners II, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2021 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/BF/WL/CH:rm

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

BOARD Meeting: 5/25/21
Item VIII-E
Attachment 1

Aksia LLC

# Mill Point Capital Partners II, L.P.
# Investment Notification

Aksia
New York • London • Tokyo

www.aksia.com

# Mill Point Capital Partners II, L.P.

| | |
|---|---|
| Firm | • Mill Point Capital LLC ("Mill Point" or the "Firm") |
| Fund | • Mill Point Capital Partners II, L.P. ("Fund II" or the "Fund") |
| Firm Founded | • 2013 |
| Strategy | • U.S. Buyout |
| Sub-Strategy | • U.S. Lower Middle Market Buyout |
| Geography | • Primarily North America |
| Team | • ~10 investment professionals |
| Senior Partners | • Michael Duran, Richard Summers, Dustin Smith |
| Office Locations | • New York, NY |
| Industries | • Businesses services, IT services, and industrials |
| Target Fund Size | • $ 650 million |
| LACERS Investment | • $11 million |

## Investment Highlights

- Experienced senior team that has worked together on average for seven+ years, even prior to Mill Point.
- Stable and growing organization that is adding significant operational capabilities.
- Strong returns generated in Fund I to date.
- Fits the criteria of an Emerging Manager for LACERS.

# Mill Point Capital Partners II, L.P.

## Firm and Background

- Mill Point was originally formed by Michael Duran in 2013 as a private equity initiative within Millstein & Co., a corporate and restructuring advisory firm. Prior to that, Michael Duran was at Ripplewood.
- Initially operated as an independent sponsor under the Millstein umbrella, raising capital deal-by-deal.
- Michael Duran led a spinout shortly after Millstein raised it's first institutional fund in 2017; as part of the amicable departure, it was agreed that Michael Duran would manage the new capital ("Fund I").
- With the raise of Fund II, Mill Point will be a completely independent entity and it will continue to operate under the direction of Founder and Managing Partner, Michael Duran.

## Investment Strategy

- The Fund will make control investments in North American lower middle market businesses within the businesses services, IT services, and industrials sectors.
- The Firm's strategy focuses on businesses facing operational challenges or complex circumstances such as management transitions, misunderstood business models, or underinvested companies; but not turnaround or distressed situations.
- Mill Point expects to build a portfolio with 12 to 15 investments that require between $20 million and $100 million of equity per transaction and enterprise values between $50 million and $500 million.
- Post-acquisition, the Firm is focused on operational improvements, strategic positioning, and debt paydown to drive EBITDA and revenue growth.

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

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

### F. Roles and Responsibilities

| | Role of the Board | Role of Staff | Role of the Private Equity Consultant |
|---|---|---|---|
| **Strategy/Policy** | • Select Private Equity Consultant.<br>• Approve asset class funding level.<br>• Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges. | • In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. | • Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. |

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

| | Role of the Board | Role of Staff | Role of the Private Equity Consultant |
|---|---|---|---|
| **Investment Selection** | • Review investment analysis reports.<br>• Review and approve investments in new partnerships of amounts greater than $50 million prior to investment.<br>• Review and approve investments in follow-on partnerships of amounts greater than $100 million prior to investment.<br>• Review and approve direct co-investment opportunities that exceed $50 million.<br>• Review and approve the sale of any one existing partnership fund on the secondary market exceeding $50 million in Fair Market Value.<br>• Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure. | • Refer investments and forward to Private Equity Consultant for preliminary screening.<br>• Conduct meetings with prospective or existing general partners representing new investment opportunities.<br>• Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer.<br>• In conjunction with Private Equity Consultant, invest up to and including $50 million for new partnerships, and up to and including $100 million for follow-on funds without Board approval. If Staff opposes and Private Equity Consultant disagrees, refer to Board for decision.<br>• 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.<br>• In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including $50 million.<br>• In conjunction with Private Equity Consultant, review and concur with the approval of sale of existing partnership funds on the secondary market up to and including $50 million in Fair Market Value.<br>• General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing.<br>• Ensure review of relevant fund documents by the City Attorney and/or external legal counsel. | • Conduct appropriate analysis and due diligence on investments.<br>• Prepare investment reports for Board consideration on investments exceeding $50 million for new managers, or exceeding $100 million in follow-on funds.<br>• With Staff concurrence, approve investments of up to and including $50 million for new partnerships, and up to and including $100 million in follow-on funds.<br>• With Staff concurrence, approve direct co-investment opportunities up to and including $50 million.<br>• Present to Staff recommendations pertaining to the sale of existing partnership funds on the secondary market exceeding $50 million in Fair Market Value. Such transactions shall be brought to the Board for review and approval.<br>• Provide investment analysis reports for each new investment and for sales of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).<br>• Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence.<br>• Coordinate meetings with general partners at the request of Staff.<br>• Advise on and negotiate investment terms. |

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

| | **Role of the Board** | **Role of Staff** | **Role of the Private Equity Consultant** |
|---|---|---|---|
| **Investment Monitoring** | • Review quarterly, annual, and other periodic monitoring reports and plans.<br>• Review Commitment Notification Reports. | • Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.<br>• Conduct meetings with existing managers periodically.<br>• Attend annual partnership meetings when appropriate.<br>• Fund capital calls and manage distributions.<br>• Review Private Equity Consultant's recommendations on partnership amendments and consents.<br>• Execute partnership amendments and consents.<br>• Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.<br>• Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).<br>• Prepare Commitment Notification Reports for Board. | • Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.<br>• Recommend amendments and consents to Staff for approval.<br>• Provide quarterly, annual, and other periodic monitoring reports and plans. |

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

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

**MEETING: MAY 25, 2021**
**ITEM: VIII – F**

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SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO €40,831,350 (APPROXIMATELY $50 MILLION) IN H.I.G. EUROPE MIDDLE MARKET LBO FUND, L.P.**

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

## Recommendation

That the Board receive and file this notice of the commitment of up to €40,831,350 (approximately $50 million) in H.I.G. Europe Middle Market LBO Fund, L.P.

## Executive Summary

H.I.G. Europe Middle Market LBO Fund, L.P. will focus on control buyouts of under-managed and stressed European middle market companies.

## Discussion

### *Consultant Recommendation*

Aksia TorreyCove Partners LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to €40,831,350 (approximately $50 million) in H.I.G. Europe Middle Market LBO Fund, L.P. (the Fund), a European middle market strategy managed by H.I.G. Europe Middle Market Advisors, L.P. (H.I.G. or the GP). 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 2021 Strategic Plan adopted by the Board on November 24, 2020.

### *Background*

H.I.G was founded in 1993 by Sami Mnaymneh and Tony Tamer to focus on lower middle market companies in need of operational and/or financial improvement. Prior to forming H.I.G., Mr. Mnaymneh worked for Morgan Stanley & Co. in mergers and acquisitions, and Mr. Tamer was a partner at Bain & Company, providing consulting services to clients related to cost reduction, productivity improvement, and acquisition and divestiture activities. H.I.G has $44 billion in assets under management and over 420 investment professionals, and is headquartered in Miami, with offices in New York, Boston, Chicago, Dallas, Los Angeles, San Francisco, Atlanta, London, Hamburg, Luxembourg, Madrid, Milan, Paris, Bogota, Rio de Janeiro, and Sao Paulo. H.I.G. is a new general partner relationship for LACERS.

*Investment Thesis*
The Fund will focus on making control investments in under-managed and stressed European middle market companies, as well as complex carve-outs, restructurings, and special situations. H.I.G will invest in industry verticals including consumer, healthcare, industrials, technology, business services, and natural resources, creating value through growth initiatives, performance and efficiency improvements, and synergistic 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 did not use a placement agent in connection with LACERS' investment.

*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 Alignment**

Investment in H.I.G. Europe Middle Market LBO Fund, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2021 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/BF/WL/RK:rm

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

Aksia LLC

# H.I.G. Europe Middle Market LBO Fund, L.P.
# Investment Notification

Aksia
New York • London • Tokyo

www.aksia.com

# H.I.G. Europe Middle Market LBO Fund, L.P.

| | |
|---|---|
| Firm | • H.I.G. Capital, LLC (“H.I.G.” or the “Firm”) |
| Fund | • H.I.G. Europe Middle Market LBO Fund, L.P. ( the “Fund”) |
| Firm Founded | • 1993 |
| Strategy | • European Buyouts |
| Sub-Strategy | • European Mid-Market Buyouts |
| Geography | • Pan-European |
| Team | • ~25 dedicated investment professionals |
| Senior Partners | • Sami Mnaymneh, Tony Tamer, Markus Noe-Nordberg |
| Office Locations | • London, Hamburg, Madrid, Milan, Miami, Paris |
| Industries | • Consumer, healthcare, industrials, technology, and business services. |
| Target Fund Size | • €2.0 billion |
| LACERS Investment | • €40,831,350 (approximately $50 million) |

## Investment Highlights

- European mid-market arm of a very well-established U.S.-based platform; The Firm employs approximately 700 professionals, including 420 investment professionals, operating from 18 offices across the globe.
- Dedicated investment team that has no legacy portfolio and can focus exclusively on making new investments.
- The Firm has offices across Europe with a number of local investment professionals in each office, which can be differentiator versus other mid-market firms of a similar fund size.
- Despite being largely a U.S.-based firm, H.I.G. is known in Europe, having completed 50+ deals across it’s two dedicated European small-cap funds.

# H.I.G. Europe Middle Market LBO Fund, L.P.

## Firm and Background

- Based in Miami, Florida, H.I.G. was founded in 1993 by Sami Mnaymneh and Tony Tamer to focus on lower middle market companies in need of operational and/or financial improvement.
- The Firm expanded significantly over time, adding new buyout funds, a credit platform a real estate platform, and a publicly traded BDC vehicle. The Firm also began investing outside the United States.
- The Firm raised its first dedicated European fund in 2007 to target turnaround investments at the smaller end of the market. Since then, the Firm has raised two additional European Small Cap funds.
- In 2019, the Firm hired  Markus Noe-Nordberg as a Managing Partner to lead a new European platform; a dedicated mid-cap platform. Noe-Nordberg is in the process of building out the mid-cap team and investing the maiden European mid-cap fund.

## Investment Strategy

- The Fund will focus on making control investments in complex, under-managed companies that present substantial opportunity for value creation as a result of ongoing operational challenges.
- Investments will predominately be in equity-related securities via various transaction types including leveraged buyouts, take-privates, corporate divestitures, consolidations and roll-ups, spin-offs and carve-outs.
- The Firm expects to build a portfolio with 18 to 22 investments that require between €50 million and €250 million of equity per transaction and enterprise values of less than €200 million to €750 million.
- The Fund will opportunistically across key geographies in Europe as well as opportunistically across a variety of industry verticals, which include consumer, healthcare, industrials, technology, and business services.

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

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

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

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

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

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

### F. Roles and Responsibilities

| | Role of the Board | Role of Staff | Role of the Private Equity Consultant |
|---|---|---|---|
| **Strategy/Policy** | • Select Private Equity Consultant.<br>• Approve asset class funding level.<br>• Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges. | • In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. | • Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. |

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

| | **Role of the Board** | **Role of Staff** | **Role of the Private Equity Consultant** |
|---|---|---|---|
| **Investment Selection** | • Review investment analysis reports.<br>• Review and approve investments in new partnerships of amounts greater than $50 million prior to investment.<br>• Review and approve investments in follow-on partnerships of amounts greater than $100 million prior to investment.<br>• Review and approve direct co-investment opportunities that exceed $50 million.<br>• Review and approve the sale of any one existing partnership fund on the secondary market exceeding $50 million in Fair Market Value.<br>• Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure. | • Refer investments and forward to Private Equity Consultant for preliminary screening.<br>• Conduct meetings with prospective or existing general partners representing new investment opportunities.<br>• Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer.<br>• In conjunction with Private Equity Consultant, invest up to and including $50 million for new partnerships, and up to and including $100 million for follow-on funds without Board approval. If Staff opposes and Private Equity Consultant disagrees, refer to Board for decision.<br>• 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.<br>• In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including $50 million.<br>• In conjunction with Private Equity Consultant, review and concur with the approval of sale of existing partnership funds on the secondary market up to and including $50 million in Fair Market Value.<br>• General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing.<br>• Ensure review of relevant fund documents by the City Attorney and/or external legal counsel. | • Conduct appropriate analysis and due diligence on investments.<br>• Prepare investment reports for Board consideration on investments exceeding $50 million for new managers, or exceeding $100 million in follow-on funds.<br>• With Staff concurrence, approve investments of up to and including $50 million for new partnerships, and up to and including $100 million in follow-on funds.<br>• With Staff concurrence, approve direct co-investment opportunities up to and including $50 million.<br>• Present to Staff recommendations pertaining to the sale of existing partnership funds on the secondary market exceeding $50 million in Fair Market Value. Such transactions shall be brought to the Board for review and approval.<br>• Provide investment analysis reports for each new investment and for sales of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).<br>• Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence.<br>• Coordinate meetings with general partners at the request of Staff.<br>• Advise on and negotiate investment terms. |

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

| | Role of the Board | Role of Staff | Role of the Private Equity Consultant |
|---|---|---|---|
| **Investment Monitoring** | • Review quarterly, annual, and other periodic monitoring reports and plans.<br>• Review Commitment Notification Reports. | • Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.<br>• Conduct meetings with existing managers periodically.<br>• Attend annual partnership meetings when appropriate.<br>• Fund capital calls and manage distributions.<br>• Review Private Equity Consultant's recommendations on partnership amendments and consents.<br>• Execute partnership amendments and consents.<br>• Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.<br>• Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).<br>• Prepare Commitment Notification Reports for Board. | • Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.<br>• Recommend amendments and consents to Staff for approval.<br>• Provide quarterly, annual, and other periodic monitoring reports and plans. |

**LACERS**
**LA CITY EMPLOYEES' RETIREMENT SYSTEM**

**REPORT TO BOARD OF ADMINISTRATION** **MEETING: MAY 25, 2021**
**From: Neil M. Guglielmo, General Manager** **ITEM: VIII – G**

Neil M. Guglielmo

SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO $40 MILLION IN OAK HC/FT PARTNERS IV, 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 Oak HC/FT Partners IV, L.P.

## Executive Summary

Oak HC/FT Partners IV, L.P. will focus on venture capital and growth-stage investments in the healthcare services and financial technology industries.

## Discussion

*Consultant Recommendation*
Aksia TorreyCove Partners LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to $40 million in Oak HC/FT Partners IV, L.P. (the Fund), a multi-stage venture capital strategy managed by Oak HC/FT (the GP or Oak HC/FT). 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 2021 Strategic Plan adopted by the Board on November 24, 2020.

*Background*
Oak HC/FT was founded in 2014 by Annie Lamont, Andrew Adams, and Tricia Kemp. Prior to forming Oak HC/FT, Ms. Lamont, Mr. Adams, and Ms. Kemp were responsible for leading healthcare and financial technology investment activities at Oak Investment Partners, a multi-stage and multi-sector venture firm. The GP has $3.3 billion of assets under management, 20 investment professionals, and offices in Greenwich (headquarters), Boston, and San Francisco.

LACERS has an existing general partner relationship with Oak HC/FT and previously committed a total of $45 million to the following Oak HC/FT-sponsored funds:

| Fund | Vintage Year | Commitment Amount | Net IRR[1,2] |
|---|---|---|---|
| Oak HC-FT Partners (Emerging Manager) | 2014 | $10 million | 25.5% |
| Oak HC-FT Partners II (Emerging Manager) | 2017 | $10 million | 35.3% |
| Oak HC-FT Partners III | 2019 | $25 million | 37.6% |

*Investment Thesis*

Oak HC/FT focuses on early stage venture capital and growth-stage investments in the healthcare and financial technology sectors. The GP seeks market-leading companies that provide technology-enabled solutions, data and analytics, outsourced services, and alternative drug delivery models. Target firms typically have strong management teams, sound financial metrics, and positive cash flow. The GP will leverage its industry expertise and operating partners to guide the growth of the portfolio companies. The Fund will seek to make 20 to 25 investments with the average deal size between $25.0 million and $75 million.

*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 Alignment

Investment in Oak HC/FT Partners IV, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2021 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/BF/WL/EP:rm

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

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[1] *Net Internal Rate of Return as of September 30, 2020.*

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

BOARD Meeting: 5/25/21
Item VIII-G
Attachment 1

Aksia LLC

# Oak HC/FT Partners IV, L.P.
# Investment Notification

Aksia
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www.aksia.com

# Oak HC/FT Partners IV, L.P.

| | |
|---|---|
| Firm | • Oak HC/FT ("Oak HC/FT" or the "Firm") |
| Fund | • Oak HC/FT Partners IV, L.P. ("Fund IV" or the "Fund") |
| Firm Founded | • 2014 |
| Strategy | • Venture Capital |
| Sub-Strategy | • Multi-Stage |
| Geography | • Primarily North America |
| Team | • ~20 investment professionals |
| Senior Partners | • Annie Lamont, Andrew Adams, Tricia Kemp |
| Office Locations | • Greenwich, CT; Boston, MA; San Francisco, CA |
| Industries | • Healthcare information and services and financial services technology |
| Target Fund Size | • $1.1 billion |
| LACERS Investment | • $40.0 million |

## Investment Highlights

- Experienced and cohesive senior team that worked together for a number of years prior to forming Oak HC/FT.
- The Firm and its investment professionals have a long history of making growth and early-stage investments in healthcare IT and fintech companies.
- Strong performance with minimal losses across the portfolio.

# Oak HC/FT Partners IV, L.P.

## Firm and Background

- Oak HC/FT was established in 2014 as a spin-out of the healthcare IT and fin-tech verticals at Oak Investment Partners.
- The Firm is led by three Managing Partners, who have worked together investing in their respective spaces since 2003.
- The Managing Partners are supported by one General Partner, four Partners, six Venture Partners, two Principals, two Vice Presidents, and two Senior Associates / Analysts. Further, when appropriate, the investment team is supplemented by three Senior Advisors.

## Investment Strategy

- The Fund will invest in early-stage venture and growth-stage healthcare and fin-tech companies.
- Investments will be made primarily in the U.S. and opportunistically in fin-tech companies in Europe and Israel.
- The Fund will seek to make 20 – 25 investments with an average deal size ranging from $25.0 million to $75.0 million.
- Oak anticipates investing over 80.0% of capital in growth equity deals and less than 20.0% in early-stage opportunities, with an expected investment size of $45.0 - $75.0 million in growth companies and $25.0 million in early-stage companies.
- In the healthcare sector, the Firm will continue to focus on investing in solutions that contain cost, enhance quality, and improve the customer experience. Within the fintech space, Oak will focus on companies that provide tech-enabled solutions, outsourced services, data analytics, or disruptive business models.

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## Section 5 PRIVATE EQUITY INVESTMENT POLICY

### F. Roles and Responsibilities

| | Role of the Board | Role of Staff | Role of the Private Equity Consultant |
|---|---|---|---|
| **Strategy/Policy** | • Select Private Equity Consultant.<br>• Approve asset class funding level.<br>• Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges. | • In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. | • Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. |

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

| | **Role of the Board** | **Role of Staff** | **Role of the Private Equity Consultant** |
|---|---|---|---|
| **Investment Selection** | • Review investment analysis reports.<br>• Review and approve investments in new partnerships of amounts greater than $50 million prior to investment.<br>• Review and approve investments in follow-on partnerships of amounts greater than $100 million prior to investment.<br>• Review and approve direct co-investment opportunities that exceed $50 million.<br>• Review and approve the sale of any one existing partnership fund on the secondary market exceeding $50 million in Fair Market Value.<br>• Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure. | • Refer investments and forward to Private Equity Consultant for preliminary screening.<br>• Conduct meetings with prospective or existing general partners representing new investment opportunities.<br>• Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer.<br>• In conjunction with Private Equity Consultant, invest up to and including $50 million for new partnerships, and up to and including $100 million for follow-on funds without Board approval. If Staff opposes and Private Equity Consultant disagrees, refer to Board for decision.<br>• 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.<br>• In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including $50 million.<br>• In conjunction with Private Equity Consultant, review and concur with the approval of sale of existing partnership funds on the secondary market up to and including $50 million in Fair Market Value.<br>• General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing.<br>• Ensure review of relevant fund documents by the City Attorney and/or external legal counsel. | • Conduct appropriate analysis and due diligence on investments.<br>• Prepare investment reports for Board consideration on investments exceeding $50 million for new managers, or exceeding $100 million in follow-on funds.<br>• With Staff concurrence, approve investments of up to and including $50 million for new partnerships, and up to and including $100 million in follow-on funds.<br>• With Staff concurrence, approve direct co-investment opportunities up to and including $50 million.<br>• Present to Staff recommendations pertaining to the sale of existing partnership funds on the secondary market exceeding $50 million in Fair Market Value. Such transactions shall be brought to the Board for review and approval.<br>• Provide investment analysis reports for each new investment and for sales of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).<br>• Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence.<br>• Coordinate meetings with general partners at the request of Staff.<br>• Advise on and negotiate investment terms. |

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

| | Role of the Board | Role of Staff | Role of the Private Equity Consultant |
|---|---|---|---|
| **Investment Monitoring** | • Review quarterly, annual, and other periodic monitoring reports and plans.<br>• Review Commitment Notification Reports. | • Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.<br>• Conduct meetings with existing managers periodically.<br>• Attend annual partnership meetings when appropriate.<br>• Fund capital calls and manage distributions.<br>• Review Private Equity Consultant's recommendations on partnership amendments and consents.<br>• Execute partnership amendments and consents.<br>• Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.<br>• Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).<br>• Prepare Commitment Notification Reports for Board. | • Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.<br>• Recommend amendments and consents to Staff for approval.<br>• Provide quarterly, annual, and other periodic monitoring reports and plans. |

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

**REPORT TO BOARD OF ADMINISTRATION** **MEETING: MAY 25, 2021**
**From: Neil M. Guglielmo, General Manager** **ITEM: VIII – H**

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SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO $40 MILLION IN NMS FUND IV, LP**

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

---

## Recommendation

That the Board receive and file this notice of the commitment of up to $40 million in NMS Fund IV, LP.

## Executive Summary

NMS Fund IV, LP will focus on control-oriented investments in companies in the business services and healthcare services industries in North America.

## Discussion

### *Consultant Recommendation*

Aksia TorreyCove Partners LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to $40 million in NMS Fund IV, LP (the Fund), a lower middle market buyout strategy managed by New Mainstream Capital (NMS or the GP). 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 2021 Strategic Plan adopted by the Board on November 24, 2020.

### *Background*

NMS was founded in 2010 and is led by Managing Partners Martin Chavez and Kevin Jordan, former Managing Directors in the Urban Investment Group of Goldman Sachs' Merchant Banking Division. The GP has 15 investment professionals and is based in New York City with an office in Dallas.

NMS is an existing general partner relationship for LACERS and formerly met the criteria as an Emerging Investment Manager pursuant to the LACERS Emerging Investment Manager Policy (Policy). LACERS previously committed $10.0 million to NMS Fund III, LP (2017 vintage), NMS' second institutional fund that has earned a net internal rate of return (IRR) of 8.8%.[1, 2] With the closing of NMS Fund IV, LP, its third institutional fund, NMS is no longer considered an Emerging Investment Manager pursuant to the Policy.

*Investment Thesis*

The Fund will focus on making control investments in North American-domiciled lower middle market companies within the business services and healthcare services sectors. Specifically, NMS seeks portfolio companies with low capital expenditure requirements, limited technology risks, and non-cyclical cash flows that are well positioned for strong growth and free cash flow generation. The GP provides portfolio companies with strategic guidance and repositioning, operational support and enhancements, and assistance with executive staffing.

*Placement Agent*

The GP utilized CSP Securities, LP as a placement agent.

*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 Alignment**

Investment in NMS Fund IV, LP will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2021 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/BF/WL/CH:rm

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

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[1] *Performance as of September 30, 2020.*

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

Aksia LLC

# NMS Fund IV, LP
# Investment Notification

Aksia
New York • London • Tokyo

www.aksia.com

# NMS Fund IV, LP

| | |
|---|---|
| Firm | • New MainStream Capital ("NMS" or the "Firm") |
| Fund | • NMS Fund IV, LP ("Fund IV" or the "Fund") |
| Firm Founded | • 2010 |
| Strategy | • U.S. Buyout |
| Sub-Strategy | • U.S. Lower Middle Market Buyout |
| Geography | • Primarily North America |
| Team | • ~15 investment professionals |
| Senior Partners | • Martin Chavez and Kevin Jordan |
| Office Locations | • New York, NY; Dallas, TX |
| Industries | • Healthcare and business services |
| Target Fund Size | • $600 million |
| LACERS Investment | • $40 million |

## Investment Highlights

- NMS will continue to be led by two Managing Partners who have worked together for more than a decade and represent more than 50 years of collective private equity experience.
- The Firm has demonstrated the ability to grow underlying portfolio companies through strategic and accretive add-on acquisitions.
- The Firm has demonstrated the ability to deliver strong realized returns.

# NMS Fund IV, LP

## Firm and Background

- NMS was formed by Martin Chavez and Kevin Jordan in 2010. Prior to forming NMS, the Co-Founders worked together (since 2004) at the Goldman Sachs Urban Investment Group (“UIG”), which invested capital predominately into minority-owned businesses and urban real estate.
- Today, NMS continues to operate under the direction of the two Co-founders and Managing Partners, Chavez and Jordan.
- Fund I represented a buyout of the unrealized investments made while at UIG; therefore, Fund II is considered the Firm’s first institutional fund.

## Investment Strategy

- The Firm will make control-oriented investments in companies in healthcare services and business services. Within healthcare services, NMS focuses on home health, hospice, behavioral health, dental, healthcare staffing, and specialty pharma, among others. Within business services, the Firm targets IT staffing, systems integration providers, specialty distribution, and marketing service.
- Fund IV will seek to acquire small founder and family-owned businesses within fragmented subsectors.
- NMS expects to build a portfolio with 10 to 12 investments that require between $25.0 million and $50.0 million of equity per transaction and enterprise values of less than $150.0 million.
- The vast majority of Fund IV’s capital is expected to be invested in the United States; however, the Fund will maintain the flexibility to invest up to 15.0% of aggregate commitments into businesses located outside of North America.

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

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

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

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

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

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

### F. Roles and Responsibilities

| | Role of the Board | Role of Staff | Role of the Private Equity Consultant |
|---|---|---|---|
| **Strategy/Policy** | • Select Private Equity Consultant.<br>• Approve asset class funding level.<br>• Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges. | • In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. | • Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. |

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

| | **Role of the Board** | **Role of Staff** | **Role of the Private Equity Consultant** |
|---|---|---|---|
| **Investment Selection** | • Review investment analysis reports.<br>• Review and approve investments in new partnerships of amounts greater than $50 million prior to investment.<br>• Review and approve investments in follow-on partnerships of amounts greater than $100 million prior to investment.<br>• Review and approve direct co-investment opportunities that exceed $50 million.<br>• Review and approve the sale of any one existing partnership fund on the secondary market exceeding $50 million in Fair Market Value.<br>• Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure. | • Refer investments and forward to Private Equity Consultant for preliminary screening.<br>• Conduct meetings with prospective or existing general partners representing new investment opportunities.<br>• Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer.<br>• In conjunction with Private Equity Consultant, invest up to and including $50 million for new partnerships, and up to and including $100 million for follow-on funds without Board approval. If Staff opposes and Private Equity Consultant disagrees, refer to Board for decision.<br>• 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.<br>• In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including $50 million.<br>• In conjunction with Private Equity Consultant, review and concur with the approval of sale of existing partnership funds on the secondary market up to and including $50 million in Fair Market Value.<br>• General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing.<br>• Ensure review of relevant fund documents by the City Attorney and/or external legal counsel. | • Conduct appropriate analysis and due diligence on investments.<br>• Prepare investment reports for Board consideration on investments exceeding $50 million for new managers, or exceeding $100 million in follow-on funds.<br>• With Staff concurrence, approve investments of up to and including $50 million for new partnerships, and up to and including $100 million in follow-on funds.<br>• With Staff concurrence, approve direct co-investment opportunities up to and including $50 million.<br>• Present to Staff recommendations pertaining to the sale of existing partnership funds on the secondary market exceeding $50 million in Fair Market Value. Such transactions shall be brought to the Board for review and approval.<br>• Provide investment analysis reports for each new investment and for sales of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).<br>• Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence.<br>• Coordinate meetings with general partners at the request of Staff.<br>• Advise on and negotiate investment terms. |

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

| | Role of the Board | Role of Staff | Role of the Private Equity Consultant |
|---|---|---|---|
| **Investment Monitoring** | • Review quarterly, annual, and other periodic monitoring reports and plans.<br>• Review Commitment Notification Reports. | • Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.<br>• Conduct meetings with existing managers periodically.<br>• Attend annual partnership meetings when appropriate.<br>• Fund capital calls and manage distributions.<br>• Review Private Equity Consultant's recommendations on partnership amendments and consents.<br>• Execute partnership amendments and consents.<br>• Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.<br>• Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).<br>• Prepare Commitment Notification Reports for Board. | • Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.<br>• Recommend amendments and consents to Staff for approval.<br>• Provide quarterly, annual, and other periodic monitoring reports and plans. |

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

**REPORT TO BOARD OF ADMINISTRATION** **MEETING: MAY 25, 2021**
**From: Neil M. Guglielmo, General Manager** **ITEM: VIII – I**

SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO $40 MILLION IN ROARK CAPITAL PARTNERS VI (T) LP**

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

## Recommendation

That the Board receive and file this notice of the commitment of up to $40 million in Roark Capital Partners VI (T) LP.

## Executive Summary

Roark Capital Partners VI (T) LP will focus on investments in the restaurants, specialty retail, consumer and business services, and health, wellness and beauty sectors.

## Discussion

### *Consultant Recommendation*

Aksia TorreyCove Partners LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to $40 million in Roark Capital Partners VI (T) LP (the Fund), a buyout strategy managed by Roark Capital Management, LLC. (the GP or Roark). 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 2021 Strategic Plan adopted by the Board on November 24, 2020.

### *Background*

Roark was founded in 2001 by Neal Aronson. Prior to founding Roark, Mr. Aronson was Co-Founder and Chief Financial Officer of the U.S. Franchise Systems. Roark has approximately $25 billion in assets under management and currently over 60 employees in Atlanta (headquarters) and New York City.

LACERS has an existing general partner relationship with Roark and previously committed a total of $25 million to the following Roark-sponsored funds:

| Fund | Vintage Year | Commitment Amount | Net IRR[1,2] |
|---|---|---|---|
| Roark Capital Partners II Side Car | 2018 | $10 million | 17.2% |
| Roark Capital Partners V | 2018 | $15 million | 13.2% |

*Investment Thesis*

Roark focuses on family-owned business transfers, management/corporate buyouts, recapitalizations, going-private transactions, and corporate divestiture. Target companies are generally market leaders that are experiencing strong growth, driven by macroeconomic trends in the North American region. These companies are in the food and restaurants, specialty retail, health and wellness, retail healthcare, business services, and education industries. The GP intends to leverage its experience, brand name, and network to source attractive deals for the Fund. The GP strives to enhance the value of portfolio companies by working with management to pursue new market opportunities, identifying strategic acquisitions, and improving operations. The GP intends to invest in portfolio companies with enterprise values of up to $2 billion. 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 Alignment

Investment in Roark Capital Partners VI (T) LP will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2021 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/BF/WL/EP:rm

| | |
|---|---|
| Attachments: | 1. Aksia TorreyCove Investment Notification<br>2. Discretion in a Box |

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[1] *Net Internal Rate of Return as of September 30, 2020.*

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

BOARD Meeting: 5/25/21
Item VIII-I
Attachment 1

Aksia LLC

# Roark Capital Partners VI (T) LP
# Investment Notification

Aksia
New York • London • Tokyo

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# Roark Capital Partners VI (T) LP

| | |
|---|---|
| Firm | • Roark Capital Management, LLC ("Roark" or the "Firm") |
| Fund | • Roark Capital Partners VI (T) LP ("Fund VI" or the "Fund") |
| Firm Founded | • 2001 |
| Strategy | • Buyouts |
| Sub-Strategy | • Medium / Large Buyouts |
| Geography | • Primarily North America |
| Team | • ~60 investment professionals |
| Senior Partners | • Neal Aronson, Paul Ginsberg, Erik Morris + 11 Managing Directors |
| Office Locations | • Atlanta, GA; New York, NY |
| Industries | • Consumer and Business Services |
| Target Fund Size | • $5.0 billion |
| LACERS Investment | • $40 million |

## Investment Highlights

- Experienced and cohesive investment team; Notably, multiple senior investment professionals at the Firm have direct operational experience
- Strong, consistent returns over time, including very strong realized returns
- The Firm's investment professionals have significant experience investing in consumer businesses, particularly those with franchise business models

# Roark Capital Partners VI (T) LP

## Firm and Background

- Roark was founded in 2001 by Neal Aronson, who co-owned and operated U.S. Franchise Systems (a hotel franchisor) prior to starting the Firm.
- The Firm raised its first institutional fund, Roark Capital Partners, L.P. ("Fund I"), in 2005 with $413 million in capital commitments.
- Following the success of its first institutional fund, Roark raised four subsequent funds between 2008 and 2018 totaling $10.3 billion in capital commitments.
- Neal Aronson, Managing Partner and Founder, continues to lead the business today.

## Investment Strategy

- Fund VI will seek to invest in North American middle-market and large cap businesses operating within the food/restaurant, consumer and business services, health, wellness, fitness, and specialty retail sectors.
- Regardless of sector or sub-sector, the Fund is expected to largely invest in franchise and multi-unit businesses.
- Roark expects to build a portfolio with 10 to 15 investments that require between $50 million and $1.0 billion of equity per transaction in companies with enterprise values of up to $2.0 billion.
- Transactions will typically take the form of leveraged buyouts, recapitalizations, take-privates, and corporate carve-outs. In addition, the Firm may also make minority investments, including PIPEs.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE.

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

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

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

### F. Roles and Responsibilities

| | **Role of the Board** | **Role of Staff** | **Role of the Private Equity Consultant** |
|---|---|---|---|
| **Strategy/Policy** | • Select Private Equity Consultant.<br>• Approve asset class funding level.<br>• Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges. | • In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. | • Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. |

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

| | Role of the Board | Role of Staff | Role of the Private Equity Consultant |
|---|---|---|---|
| **Investment Selection** | • Review investment analysis reports.<br>• Review and approve investments in new partnerships of amounts greater than $50 million prior to investment.<br>• Review and approve investments in follow-on partnerships of amounts greater than $100 million prior to investment.<br>• Review and approve direct co-investment opportunities that exceed $50 million.<br>• Review and approve the sale of any one existing partnership fund on the secondary market exceeding $50 million in Fair Market Value.<br>• Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure. | • Refer investments and forward to Private Equity Consultant for preliminary screening.<br>• Conduct meetings with prospective or existing general partners representing new investment opportunities.<br>• Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer.<br>• In conjunction with Private Equity Consultant, invest up to and including $50 million for new partnerships, and up to and including $100 million for follow-on funds without Board approval. If Staff opposes and Private Equity Consultant disagrees, refer to Board for decision.<br>• 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.<br>• In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including $50 million.<br>• In conjunction with Private Equity Consultant, review and concur with the approval of sale of existing partnership funds on the secondary market up to and including $50 million in Fair Market Value.<br>• General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing.<br>• Ensure review of relevant fund documents by the City Attorney and/or external legal counsel. | • Conduct appropriate analysis and due diligence on investments.<br>• Prepare investment reports for Board consideration on investments exceeding $50 million for new managers, or exceeding $100 million in follow-on funds.<br>• With Staff concurrence, approve investments of up to and including $50 million for new partnerships, and up to and including $100 million in follow-on funds.<br>• With Staff concurrence, approve direct co-investment opportunities up to and including $50 million.<br>• Present to Staff recommendations pertaining to the sale of existing partnership funds on the secondary market exceeding $50 million in Fair Market Value. Such transactions shall be brought to the Board for review and approval.<br>• Provide investment analysis reports for each new investment and for sales of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).<br>• Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence.<br>• Coordinate meetings with general partners at the request of Staff.<br>• Advise on and negotiate investment terms. |

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

| | Role of the Board | Role of Staff | Role of the Private Equity Consultant |
|---|---|---|---|
| **Investment Monitoring** | • Review quarterly, annual, and other periodic monitoring reports and plans.<br>• Review Commitment Notification Reports. | • Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.<br>• Conduct meetings with existing managers periodically.<br>• Attend annual partnership meetings when appropriate.<br>• Fund capital calls and manage distributions.<br>• Review Private Equity Consultant's recommendations on partnership amendments and consents.<br>• Execute partnership amendments and consents.<br>• Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.<br>• Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).<br>• Prepare Commitment Notification Reports for Board. | • Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.<br>• Recommend amendments and consents to Staff for approval.<br>• Provide quarterly, annual, and other periodic monitoring reports and plans. |

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

**REPORT TO BOARD OF ADMINISTRATION** **MEETING: MAY 25, 2021**
**From: Neil M. Guglielmo, General Manager** **ITEM: VIII – J**

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SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO $57.5 MILLION IN GENSTAR CAPITAL PARTNERS X, 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 $57.5 million in Genstar Capital Partners X, L.P.

## Executive Summary

Genstar Capital Partners X, L.P. will focus on control buyouts of high quality and growth-oriented, North American middle market and large businesses within the financial services, healthcare, industrials, and software sectors.

## Discussion

### *Consultant Recommendation*

Aksia TorreyCove Partners LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to $57.5 million in Genstar Capital Partners X, L.P. (the Fund), a middle market and large business buyout strategy managed by Genstar Capital LLC (Genstar or the GP). 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 2021 Strategic Plan adopted by the Board on November 24, 2020.

### *Background*

Genstar was founded in 1988 as a Canadian building materials and financial services company. Today, the firm is led by Jean-Pierre Conte, Ryan Clark, Rob Rutledge, David Golde, and Antony Salewski. The GP has $33 billion in assets under management, 41 employees, and is based in San Francisco.

Genstar is an existing general partner relationship for LACERS, with previous commitments to the following funds:

| Fund Name | Vintage Year | Commitment Size | Net IRR[1,2] |
|---|---|---|---|
| Genstar Capital Partners IX, L.P. | 2019 | $25 million | 35.3% |
| Genstar IX Opportunities Fund I | 2019 | $25 million | 19.1% |

*Investment Thesis*

Genstar focuses on investing in global middle market and large companies headquartered in North America within four sectors: financial services, healthcare, industrial technology, and software. Within these sectors, the GP seeks companies that typically have attributes such as predictable recurring revenue, pricing power, high levels of free cash flow, attractive returns on capital, and steady growth profiles. Genstar adds value to these companies by assisting management with major strategic, operational, and financial initiatives. The GP intends to build a concentrated portfolio of investments in founder-owned companies, public company orphans, corporate carve-outs, and traditional buyouts. 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 did not use a placement agent in connection with LACERS' investment.

*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 Alignment

Investment in Genstar Capital Partners X, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2021 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/BF/WL/RK:rm

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

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[1] *Performance as of September 30, 2020*

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

Aksia LLC

# Genstar Capital Partners X, L.P.
# Investment Notification

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www.aksia.com

# Genstar Capital Partners X, L.P.

| | |
|---|---|
| **Firm** | • Genstar Capital LLC ("Genstar" or the "Firm") |
| **Fund** | • Genstar Capital Partners X, L.P. ("Fund X" or the "Fund") |
| **Firm Founded** | • 1988 |
| **Strategy** | • North American Buyouts |
| **Sub-Strategy** | • North American Large Buyouts |
| **Geography** | • Primarily North America |
| **Team** | • ~25 investment professionals |
| **Senior Partners** | • JP Conte, Ryan Clark, Rob Rutledge, David Golde, Anthony Salewski |
| **Office Locations** | • San Francisco, CA |
| **Industries** | • Financial services, healthcare, industrials, and software |
| **Target Fund Size** | • $8.0 billion |
| **LACERS Investment** | • $57.5 million |

## Investment Highlights

- Experienced and cohesive management team, with five Managing Partners that have a combined 100+ years of combined private equity experience and an average tenure of over 16 years with the Firm
- Consistently strong returns over time with relatively low loss ratios
- Consistent investment strategy that has been successfully implemented across a number of prior funds

# Genstar Capital Partners X, L.P.

## Firm and Background

- Genstar was formed in 1988 by a Canadian building-materials and financial services business. In 1995, Jean-Pierre ("JP") Conte was hired to run the business and he remains as Chairman and Managing Director.
- Prior to the formation of Fund V in 2007, Conte assumed the role of Chairman, delegating leadership to other senior professionals, including Ryan Clark, who joined in 2004 and now serves as President.
- While the organization has scaled over time by raising larger funds, it has refrained from developing other investment products, establishing other business activities, or expanding its geographic footprint.
- In addition to the Firm's investment professionals, Genstar maintains a Strategic Advisory Board with ~30 members, which includes senior executives who are current or former leaders of companies within Genstar's targeted industry verticals.

## Investment Strategy

- Fund X will seek to make control equity investments in high quality and growth-oriented North American middle-market and large businesses operating within Genstar's four core sector verticals – financial services, healthcare, industrials, and software.
- Genstar's value creation activities are focused on driving portfolio company revenue and earnings growth through organic growth initiatives, upgrading management, add-on and transformational M&A, and operational improvement.
- The Firm expects to build a portfolio with 13 to 15 investments that require between $150 million and $750 million of equity per transaction and enterprise values of less than $250 million to $1.5 billion.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE.

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

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

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

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

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

### F. Roles and Responsibilities

| | **Role of the Board** | **Role of Staff** | **Role of the Private Equity Consultant** |
|---|---|---|---|
| **Strategy/Policy** | • Select Private Equity Consultant.<br>• Approve asset class funding level.<br>• Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges. | • In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. | • Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. |

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

| | Role of the Board | Role of Staff | Role of the Private Equity Consultant |
|---|---|---|---|
| **Investment Selection** | • Review investment analysis reports.<br>• Review and approve investments in new partnerships of amounts greater than $50 million prior to investment.<br>• Review and approve investments in follow-on partnerships of amounts greater than $100 million prior to investment.<br>• Review and approve direct co-investment opportunities that exceed $50 million.<br>• Review and approve the sale of any one existing partnership fund on the secondary market exceeding $50 million in Fair Market Value.<br>• Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure. | • Refer investments and forward to Private Equity Consultant for preliminary screening.<br>• Conduct meetings with prospective or existing general partners representing new investment opportunities.<br>• Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer.<br>• In conjunction with Private Equity Consultant, invest up to and including $50 million for new partnerships, and up to and including $100 million for follow-on funds without Board approval. If Staff opposes and Private Equity Consultant disagrees, refer to Board for decision.<br>• 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.<br>• In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including $50 million.<br>• In conjunction with Private Equity Consultant, review and concur with the approval of sale of existing partnership funds on the secondary market up to and including $50 million in Fair Market Value.<br>• General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing.<br>• Ensure review of relevant fund documents by the City Attorney and/or external legal counsel. | • Conduct appropriate analysis and due diligence on investments.<br>• Prepare investment reports for Board consideration on investments exceeding $50 million for new managers, or exceeding $100 million in follow-on funds.<br>• With Staff concurrence, approve investments of up to and including $50 million for new partnerships, and up to and including $100 million in follow-on funds.<br>• With Staff concurrence, approve direct co-investment opportunities up to and including $50 million.<br>• Present to Staff recommendations pertaining to the sale of existing partnership funds on the secondary market exceeding $50 million in Fair Market Value. Such transactions shall be brought to the Board for review and approval.<br>• Provide investment analysis reports for each new investment and for sales of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).<br>• Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence.<br>• Coordinate meetings with general partners at the request of Staff.<br>• Advise on and negotiate investment terms. |

## Section 5 PRIVATE EQUITY INVESTMENT POLICY

| | Role of the Board | Role of Staff | Role of the Private Equity Consultant |
|---|---|---|---|
| **Investment Monitoring** | - Review quarterly, annual, and other periodic monitoring reports and plans.<br>- Review Commitment Notification Reports. | - Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.<br>- Conduct meetings with existing managers periodically.<br>- Attend annual partnership meetings when appropriate.<br>- Fund capital calls and manage distributions.<br>- Review Private Equity Consultant's recommendations on partnership amendments and consents.<br>- Execute partnership amendments and consents.<br>- Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.<br>- Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).<br>- Prepare Commitment Notification Reports for Board. | - Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.<br>- Recommend amendments and consents to Staff for approval.<br>- Provide quarterly, annual, and other periodic monitoring reports and plans. |

Board Mtg: May 25, 2021
Item No.: IX-A

# MEMORANDUM

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

**FROM:** Anya Freedman, Assistant City Attorney AJF

**DATE**: May 25, 2021

**RE:** Approval of Contracts with K&L Gates LLP, Kutak Rock LLP, and Nossaman LLP for Outside Investment and Real Estate Counsel Services; and Possible Board Action

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

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## RECOMMENDATION

Our Office and LACERS staff recommend that the Board:

1. Authorize the City Attorney's Office to negotiate, and the General Manager to execute, contracts with K&L Gates LLP, Kutak Rock LLP, and Nossaman LLP, for Outside Investment and Real Estate Counsel to assist the City Attorney for a three-year term beginning July 1, 2020, subject to the written approval of the City Attorney pursuant to Charter Section 275.

2. Authorize payment to Nossaman LLP for services performed for LACERS during the period between June 15, 2021 and July 1, 2021.

## INTRODUCTION

On January 26, 2021, the Board approved our recommended process for engaging outside Investment and Real Estate Counsel, including the publication of a Request for Proposals (RFP).

We have completed that competitive solicitation process and now seek the Board's approval to establish a bench of three law firms:

1. **K&L Gates LLP**
2. **Kutak Rock LLP**
3. **Nossaman LLP**

Representatives from the City Attorney's Office alongside staff representatives from the Plan evaluated the RFP responses and vetted qualified candidates during interviews. At the conclusion of the interview process, staff concurred with our conclusion that the three firms listed above were the most capable and qualified firms to provide investment and real estate legal services. We believe each firm would do an excellent job of serving our Office and the Plan in this critical area of law.

We recommend the Plan engage a bench of firms for three-year contracts. These firms would assist our Office to advise the Plan on investment matters, as needed, on a project-by-project basis. Consistent with our practice in managing outside counsel, we always solicit not-to-exceed bids before assigning a project. By adding additional firms to our bench of investment counsel, we can implement a competitive bidding process for select investments, which will further support cost-control efforts. LACERS staff, including the Chief Investment Officer and General Manager, support this approach. We summarize below the need for engaging outside counsel with this expertise, our competitive solicitation process, and the qualifications that distinguished the three recommended firms.

## BACKGROUND

The Public Pensions General Counsel Division of the City Attorney's Office serves as general counsel to the City's three independent pension plans: the Los Angeles City Employees' Retirement System (LACERS), the Los Angeles Fire and Police Pensions plan (LAFPP), and the Water and Power Employees' Retirement Plan (WPERP) (together, the Plans).

The Plans have historically contracted with at least one outside law firm for Investment and Real Estate Counsel services. Outside Investment Counsel typically provide project-specific advice, as needed, pertaining to the board's investment activities and related issues arising from these activities. The Board has primarily relied on Nossaman LLP to provide these services, which largely consists of representing the Board in negotiating alternative investments and assisting on discrete projects like updating templates for LACER's various investment contracts.

Given the volume and complexity of these transactions, we strongly believe that the engagement of outside counsel with this expertise is imperative to assist our Office in providing the best possible legal advice and representation to the Plan on investment matters. Doing so is a prudent use of pension trust funds, which would be used exclusively to fund these outside counsel contracts.

Our current contract terms for outside investment counsel contracts vary by Plan, which will no longer be the case starting with this contract cycle. Aligning the terms for all of our contracts for these services will improve administrative efficiency and make it easier to manage the contracting process for future RFPs. Because LACERS' current contract with Nossaman expires on June 15, 2021 there will be a two-week gap where no formal contract is in place, and there may be a need for legal services during that period. It is common practice for a client to authorize that services can be performed prior to the official start date of a contract term. Cost control protocols require that the contracting authority, the Board, in this case, grant prior approval before Accounting staff will issue payment for such services. The Board has issued similar approval in the past, under similar circumstances.

## DISCUSSION

### *RFP and Screening of Written Proposals*

Consistent with the process approved by all the three Plans, the City Attorney's Office released an RFP for Outside Investment and Real Estate Counsel on February 1, 2020. On February 22, 2020, we received timely responses from five firms:

1. K&L Gates LLP
2. Kutak Rock LLP
3. Nossaman LLP
4. Polsinelli LLP
5. Ice Miller LLP

A panel comprised of lawyers from the Public Pensions General Counsel Division and representatives from all three Plans screened all written responses and initially selected four qualified firms to interview. This Board was represented by Chief Investment Officer Rod June, Chief Operating Officer Bryan Fujita, and Investment Officer III Wilkin Ly. Along with their counterparts from LAFPP and WPERP, they concurred that four of the five firms merited follow-up interviews:

1. K&L Gates LLP
2. Kutak Rock LLP
3. Nossaman LLP
4. Polsinelli LLP

The panel's consensus, after reviewing the written proposals, was that Ice Miller was the only firm that did not warrant an interview, because this firm's RFP responses did not demonstrate sufficient applicable experience in advising California public pension funds. Ice Miller was the only respondent that was not already advising any California public pension funds or other California institutional investors.

### *Panel Interviews*

On April 21 and 23, 2021, the panel conducted interviews. In the course of the interviews, we asked the law firms to propose lower billing rates and alternative or fixed fee arrangements. Each of the firms indicated that it was willing to offer fixed-fees for discrete projects.

Following the interviews, the panel determined that, subject to the City Attorney's consent, all three recommended finalists can provide the necessary legal services.

### *Overall Recommendations*

The panel's consensus was that Nossaman, Kutak Rock, and K&L Gates were clearly the best choices, because of their superior experience in providing the type of legal advice and representation that will be required and because their fees are competitive. Following the committee's interview with Polsinelli, the consensus was their notable experience advising California municipalities and pension funds on real estate and financing matters did not compensate for their complete lack of experience advising clients on the types of investment transactions in which the Board routinely engages.

Nossaman has provided these legal services to this Board for nearly two decades, and Kutak Rock has been advising LAFPP for close to five years. Both our team and LAFPP investment staff remain extremely satisfied with the work performed by each firm. Neither firm provides legal services to investment managers or sponsors of pooled investment vehicles, which helps to avoid conflicts of interest.

K&L Gates would be a new addition to the firms providing these services to the Plans. K&L Gates has a separate practice group that does provide advice to fund managers and similar private entities, but K&L Gates' proposed team for this engagement works independently from that other practice group. Each firm is required to perform a conflict check prior to accepting each engagement to represent the Board. We have also confirmed with our counterparts at CalPERS that this circumstance has not been a problem for comparable services provided to their investment staff by the same legal team. Further, our Office and LACERS investment staff agree that K&L's broad array of legal services and global footprint will provide access to expertise in other, related areas that may be helpful in the future. In certain cases where there is no conflict, and for other discrete legal questions, it may also be beneficial to have access to K&L attorneys who advise fund managers or participants in other commercial transactions. We note that at the time of writing this report, we are continuing to negotiate K&L Gates' hourly rates, and the City Attorney's final approval of a contract with this firm would be contingent on the firm agreeing to lower their proposed rate structure to be more in line with the other two firms. We will provide the Board will the final, up to date status of these negotiations during the Board meeting on May 25.

We appreciate that the Board desires to meet the proposed lead counsel for these finalist firms. Lead counsel for each firm will be present at the Board's meeting on May 25 to meet the Board and answer any questions Commissioners may have for their team. We are confident that whichever firms the Board selects, it will have access to and representation from firms that will do an excellent job as Outside Investment and Real Estate Counsel.

## CONCLUSION

These three firms are all highly qualified to provide investment and real estate counsel services to the Board. We now seek your approval for our Office to negotiate, and the General Manager to execute, contracts with all three firms. Because they are per-project contracts, there is no additional cost to the Plan to contract with multiple firms.

Thank you for considering this recommendation. We would be glad to answer any questions that Board members may have.

AJF/JMG:np