



Board of Administration Agenda

REGULAR MEETING
TUESDAY, AUGUST 24, 2021
TIME: 10:00 A.M.
MEETING LOCATION:

In conformity with the Governor's Executive Order N-08-21 (June 11, 2021) and due to the concerns over COVID-19, the LACERS Board of Administration's August 24, 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# 859 3195 0635

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 Elizabeth Lee Sandra Lee Nilza R. Serrano Michael R. Wilkinson
Manager-Secretary:	Neil M. Guglielmo
Executive Assistant:	Ani Ghokassian
Legal Counsel:	City Attorney's Office Public Pensions General Counsel Division

Notice to Paid Representatives

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

Request for Services

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

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, Telecommunication Relay Services (TRS), or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at **(213) 855-9348** and/or email at ani.ghokassian@lacers.org.

[**CLICK HERE TO ACCESS BOARD REPORTS**](#)

- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE

AGENDA – THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT - PRESS
*9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD

- II. [APPROVAL OF MINUTES FOR THE REGULAR MEETING OF JULY 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
 - C. HEADQUARTERS PROJECT UPDATE
 - D. RECOGNITION OF SERVICE FOR LINDA APARICIO
- V. RECEIVE AND FILE ITEMS
 - A. [MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR JULY 2021](#)
- VI. COMMITTEE REPORT(S)
 - A. INVESTMENT COMMITTEE VERBAL REPORT FOR THE MEETING ON AUGUST 10, 2021
 - B. GOVERNANCE COMMITTEE VERBAL REPORT FOR THE MEETING ON AUGUST 24, 2021
- VII. BOARD/DEPARTMENT ADMINISTRATION
 - A. [GENERAL MANAGER DESIGNEE SIGNATURE AUTHORITY AND POSSIBLE BOARD ACTION](#)
 - B. [OPTION TO AMORTIZE UNFUNDED ACTUARIAL ACCRUED LIABILITY FOR RETIREE HEALTH PLAN AND POSSIBLE BOARD ACTION](#)
- VIII. BENEFITS ADMINISTRATION
 - A. [2022 MAXIMUM MEDICAL AND DENTAL PLAN PREMIUM SUBSIDIES AND POSSIBLE BOARD ACTION](#)
- IX. RETIREMENT SERVICES
 - A. [CONTRACT AWARD RECOMMENDATION FOR INVESTIGATIVE SERVICES AND POSSIBLE BOARD ACTION](#)
- X. INVESTMENTS
 - A. CHIEF INVESTMENT OFFICER VERBAL REPORT

- B. [INVESTMENT MANAGER SEARCH FOR PASSIVE U.S., NON-U.S., AND GLOBAL INDEX STRATEGIES AND POSSIBLE BOARD ACTION](#)
- C. [REAL ESTATE CONSULTANT REQUEST FOR PROPOSAL AND POSSIBLE BOARD ACTION](#)
- D. [NOTIFICATION OF COMMITMENT OF UP TO \\$40 MILLION IN HELLMAN & FRIEDMAN CAPITAL PARTNERS X, L.P.](#)
- E. [NOTIFICATION OF COMMITMENT OF UP TO \\$60 MILLION IN TA XIV-A, L.P.](#)
- F. [NOTIFICATION OF COMMITMENT OF UP TO \\$50 MILLION IN ORCHID ASIA VIII, L.P.](#)
- G. [NOTIFICATION OF COMMITMENT OF UP TO \\$50 MILLION IN ICG STRATEGIC EQUITY FUND IV LP](#)
- H. [NOTIFICATION OF COMMITMENT OF UP TO \\$20 MILLION IN AVANCE INVESTMENT PARTNERS, L.P.](#)

XI. LEGAL/LITIGATION

- A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9 (D)(4) TO CONFER WITH AND RECEIVE ADVICE FROM LEGAL COUNSEL REGARDING PENDING LITIGATION (ONE CASE) AND POSSIBLE BOARD ACTION**

XII. OTHER BUSINESS

- XIII. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, September 14, 2021 at 10:00 a.m. at Edward R. Roybal BPW Session Room, 200 N. Spring Street, Room 350 City Hall 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

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

In conformity with the Governor's Executive Order N-08-21 (June 11, 2021)
and due to the concerns over COVID-19, the
LACERS Board of Administration's
July 27, 2021, meeting was conducted
via telephone and/or videoconferencing.

Agenda of: Aug. 24, 2021

Item No: II

July 27, 2021

10:00 a.m.

PRESENT via Videoconferencing:	President:	Cynthia M. Ruiz
	Vice President:	(left at 10:09 a.m.) Sung Won Sohn
	Commissioners:	Annie Chao Elizabeth Lee Sandra Lee Nilza R. Serrano Michael R. Wilkinson
	Manager-Secretary:	Neil M. Guglielmo
	Legal Counselor:	Joshua Geller
PRESENT at LACERS offices:	Executive Assistant:	Ani Ghoukassian

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

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – **THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT – PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD** – President Ruiz asked if any persons wanted to make a general public comment to which there was no response.

II

APPROVAL OF MINUTES FOR THE REGULAR MEETING OF JUNE 22, 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, Vice President Sohn and President Ruiz -7; Nays, None.

III

BOARD PRESIDENT VERBAL REPORT – President Ruiz recognized Executive Officer Lita Payne’s service to the City and her upcoming retirement.

IV

ANNUAL ELECTION OF THE BOARD OF ADMINISTRATION OFFICERS

A. ANNUAL ELECTION OF BOARD OFFICERS PURSUANT TO CITY CHARTER SECTION 503(a), AND POSSIBLE BOARD ACTION – Neil M. Guglielmo, General Manager, advised that the nominations for President were being considered and then Commissioner Serrano nominated Commissioner Ruiz, seconded by Commissioner Sohn. There were no other nominations. Mr. Guglielmo called for the vote on the nomination of Commissioner Ruiz as President: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, Vice President Sohn, and President Ruiz -7; Nays, None. The nomination of Cynthia M. Ruiz for President passed.

Neil M. Guglielmo, General Manager, advised that the nominations for Vice President were being considered and then Commissioner Wilkinson nominated Commissioner Chao for Board Vice President. In addition, Commissioner Ruiz nominated Commissioner Sohn, seconded by Commissioner Serrano. Mr. Guglielmo called for the vote on the nomination of Commissioner Chao as Vice President: Ayes, Commissioners Chao and Wilkinson -2; Nays, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Vice President Sohn, and President Ruiz -5. The nomination for Commissioner Chao did not pass, therefore, Mr. Guglielmo called for the vote on the nomination of Commissioner Sohn: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, Vice President Sohn, and President Ruiz -7; Nays, None. The nomination of Sung Won Sohn for Vice President passed.

Vice President Sohn left the Regular Meeting at 10:09 a.m.

V

GENERAL MANAGER VERBAL REPORT

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

- Harbor SIP
- Harbor SIP Service Purchases
- Total Retirements – FY 2020-2021 (unaudited)
- Covid Deaths – FY 2020-2021
- HQ Update
- Annual Evacuation Drill
- Preparations for Limited Re-Opening
- LACERS *Well*
- Champion In-Person Activities to Re-Start Soon

- MSC Stats
- Learning Management System (LMS)
- Retirement Application Portal (RAP)

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

- August 10 or 24 – Benefits Administration Committee Meeting/Board Meeting – Health Subsidies; Health Plan Year-End Accounting
- August 10 – Governance Committee Meeting – Report back on revisions to the Marketing Cessation Policy
- Board Meeting – Business Plan Initiatives Fiscal Year End Report and Headquarters Quarterly Report

C. RECEIPT OF CITY’S CONTRIBUTION FOR FISCAL YEAR 2021-22 – Neil M. Guglielmo, General Manager, discussed this item with the Board.

D. RECOGNITION OF SERVICE FOR CARMELITA “LITA” PAYNE – Neil M. Guglielmo, General Manager, President Ruiz, and Commissioner Wilkinson, congratulated and recognized Lita Payne, Executive Officer, for her service to the City of Los Angeles and LACERS. Ms. Payne shared her future plans and thanked the Commissioners and staff for their support.

VI

RECEIVE AND FILE ITEMS

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

B. LEGISLATIVE UPDATE OF JULY 2021 – This report was received by the Board and filed.

C. COMMISSIONER ELIZABETH LEE EDUCATION EVALUATION ON PENSIONS & INVESTMENTS’ PRIVATE MARKETS VIRTUAL SERIES, VIRTUAL; JUNE 15-17, 2021 – This report was received by the Board and filed.

D. COMMISSIONER RUIZ EDUCATION EVALUATION ON HISPANIC HERITAGE FOUNDATION 2021 ANNUAL CONFERENCE, VIRTUAL; JUNE 3, 2021 – This report was received by the Board and filed.

VII

COMMITTEE REPORT(S)

A. INVESTMENTS COMMITTEE VERBAL REPORT FOR THE MEETING ON JULY 13, 2021 – Commissioner Serrano stated that the Committee decided to table the Private Equity Benchmark discussion and was presented with a real estate commitment with Brookfield Strategic Real Estate Partners IV-B, L.P.

- B. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT FOR THE MEETING ON JULY 20, 2021 – Commissioner Wilkinson stated that the Committee was presented with and approved the 2022 Health Plan Contract Renewals.

VIII

BOARD/DEPARTMENT ADMINISTRATION

- A. CONSIDERATION OF 2021-22 GENERAL MANAGER’S MERIT PAY AND POSSIBLE BOARD ACTION – This item was deferred to the next Board Meeting.
- B. CYBERSECURITY PROGRAM PRESENTATION – Josh Geller, Deputy City Attorney, and Jennifer Urban, Partner, with Foley & Lardner LLP, discussed this item with the Board for 1 hour and 15 minutes.
- C. APPROVAL OF TASK ORDER AGREEMENT AWARD TO GRANT THORNTON LLP FOR CYBERSECURITY AND OTHER AUDIT SERVICES AND POSSIBLE BOARD ACTION – 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.

IX

CLOSED SESSION

- B. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b)(1): GENERAL MANAGER 2020-21 PERFORMANCE EVALUATION AND POSSIBLE BOARD ACTION** – This item was deferred to the next Board Meeting.

X

BENEFITS ADMINISTRATION

- A. 2022 LACERS HEALTH PLAN CONTRACT RENEWALS AND POSSIBLE BOARD ACTION – Alex Rabrenovich, Chief Benefits Analyst, presented and discussed this item with the Board. After discussion, Commissioner Wilkinson moved approval of the following Resolution:

2022 LACERS HEALTH PLAN PREMIUMS

RESOLUTION 210727-A

2022 CALIFORNIA MEDICAL PLAN PREMIUM RATES				
Medicare Status	Anthem Blue Cross PPO / Passive PPO Med Adv	Kaiser Permanente HMO / Senior Advantage	Anthem Blue Cross HMO / UnitedHealthcare Med Adv HMO	Anthem Blue Cross / Senior Care Action Network (SCAN)
Single-Party Plan – Retiree Only				
U	\$1,328.85	\$900.24	\$1,059.91	\$1,059.91

M	\$485.53	\$262.47	\$274.62	\$259.81
Two-Party Plan – Retiree and One Dependent				
UU	\$2,657.70	\$1,800.48	\$2,119.82	\$2,119.82
UM	\$1,814.38	\$1,130.97	\$1,334.53	\$1,319.72
MU	\$1,814.38	\$1,130.97	\$1,334.53	\$1,319.72
MM	\$971.06	\$524.94	\$549.24	\$519.62
Family Plan – Retiree and Family				
UUU	\$3,122.80	\$2,340.62	\$2,755.77	\$2,755.77
UMU	\$2,279.48	\$1,671.11	\$1,970.48	\$1,955.67
MUU	\$2,279.48	\$1,671.11	\$1,970.48	\$1,955.67
MMU	\$1,436.16	\$1,036.98	\$1,185.19	\$1,155.57
MMM	\$1,456.59	\$786.81	\$823.86	\$779.43

2022 UNITED HEALTHCARE MEDICARE ADVANTAGE HMO NON-CALIFORNIA PREMIUM RATES		
Medicare Status	Arizona	Nevada
Single-Party Plan – Retiree Only		
U	N/A	N/A
M	\$346.62	\$245.36
Two-Party Plan – Retiree and One Dependent		
UU	N/A	N/A
UM	N/A	N/A
MU	N/A	N/A
MM	\$693.24	\$490.72
Family Plan – Retiree and Family		
UUU	N/A	N/A
UMU	N/A	N/A
MUU	N/A	N/A
MMU	N/A	N/A
MMM	\$1,039.86	\$736.08

2022 DENTAL PLAN PREMIUM RATES		
Dental Tiers	Dental Dental PPO Self-Funded	DeltaCare USA HMO
Retiree	\$51.16	\$15.10
Retiree + 1 Dependent	\$101.45	\$28.19
Retiree + Family	\$146.56	\$32.59

2022 VISION PLAN PREMIUM RATES	
Tiers	Anthem Blue View Vision Self-Funded
Retiree	\$9.14
Retiree + 1 Dependent	\$13.25
Retiree + Family	\$23.67

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

- B. 2021 OPEN ENROLLMENT CLOSEOUT REPORT – Alex Rabrenovich, Chief Benefits Analyst, and Ada Lok, Benefits Analyst, presented and discussed this item with the Board for 15 minutes.

XI

LEGAL/LITIGATION

- A. APPROVAL OF ONE YEAR EXTENSION TO CONTRACTS WITH ICE MILLER LLP AND REED SMITH LLP FOR OUTSIDE TAX COUNSEL SERVICES AND POSSIBLE BOARD ACTION – Commissioner Wilkinson 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.

XII

INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Bryan Fujita, Investment Officer III, reported on the portfolio value of \$23.42 billion as of July 26, 2021. Mr. Fujita discussed the following items:
- Three reports delivered to Board Box folder: Asset Allocation report, Monthly Flash Report, and Quarter-In-Review presentation by NEPC, LLC
 - Closed Session item to consider a commitment to Brookfield Strategic Real Estate Partners IV-B on July 27th Agenda
 - Future Agenda Items: RFP for Passive Strategies; and several notifications of private equity fund commitments

President Ruiz recessed the Regular Meeting at 12:18 p.m. to convene in Closed Session discussion.

Items IX-A and XII-B taken out of order

IX

CLOSED SESSION

- A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(a) TO CONFER WITH LACERS' CHIEF INFORMATION SECURITY OFFICER AND INFORMATION SYSTEMS MANAGER II REGARDING LACERS' CYBERSECURITY INFRASTRUCTURE; AND POSSIBLE BOARD ACTION**

XII

INVESTMENTS

B. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO BROOKFIELD STRATEGIC REAL ESTATE PARTNERS IV-B, L.P. AND POSSIBLE BOARD ACTION

President Ruiz reconvened the Regular Meeting at 1:00 p.m.

XIII

OTHER BUSINESS – There was no other business.

XIV

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, August 10, 2021, at 10:00 a.m. at LACERS, 202 West 1st Street, Suite 500, Los Angeles, CA 90012, and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings while response to public health concerns relating to the novel coronavirus continue.

XV

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

Cynthia M. Ruiz
President

Neil M. Guglielmo
Manager-Secretary

Agenda of: AUG. 24, 2021

Item No: V-A

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

From: Neil M. Guglielmo, General Manager

MEETING: AUGUST 24, 2021

ITEM: VII – A

Neil M. Guglielmo

SUBJECT: GENERAL MANAGER DESIGNEE SIGNATURE AUTHORITY AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board adopt the proposed General Manager Designee Signature Authority Resolution, effective upon adoption, superseding prior delegations.

Discussion

The General Manager has the authority to administer the affairs of the department as its Chief Administrative Officer inclusive of certification of expenditures pursuant to the Los Angeles City Charter (LACC) Section 509, and authority to execute contracts delegated by the Board. The Board may also delegate authority, under LACC Section 511(a), to the necessary deputies, assistants, and employees of the department and define their duties. In the event that the General Manager is absent or unable to act, assigning signature authority to General Manager Designees would assure that business transactions are addressed promptly and ensure the continuity of services.

Staffing changes necessitate the update of the General Manager Designee Signature Authority. This resolution reflects the following personnel change for Dale Wong-Nguyen, Assistant General Manager from Chief Benefits Analyst of Administration Division.

Strategic Plan Impact Statement

The update of the General Manager Designee Signature Authority supports the Strategic Plan Board Governance Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty. Additionally, it corresponds with the Strategic Plan Organizational Goal of maximizing organizational effectiveness and efficiency.

Prepared By: Chhintana Kurimoto, Management Analyst, Administration Division

NMG/DWN/CK

Attachment: Signature Authority for General Manager Designees Proposed Resolution

SIGNATURE AUTHORITY
FOR GENERAL MANAGER DESIGNEES

PROPOSED RESOLUTION

WHEREAS, the Board may delegate authority to the necessary deputies, assistants, and employees of the department and define their duties under Los Angeles City Charter (LACC) Section 511(a); and

WHEREAS, the General Manager is authorized under LACC Section 509 to administer the affairs of the department as its Chief Administrative Officer; and,

WHEREAS, the General Manager determines it is in the best interest of the department to ensure department business is transacted expeditiously on occasions when he is absent or unable to act through the assignment of signature authorities over specific areas of expertise;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby adopts the signature authority resolution for the General Manager designees. If practicable, designees shall seek verbal concurrence from the General Manager. Authority is assigned to the position, rather than the individual. This resolution shall be endorsed by the designees and should there be a change in personnel, a new endorsement certificate may be made and kept on file in the Board office; filed with any other necessary office of City government; or any agencies involved in processing LACERS' investment transactions and custodial responsibilities for the securities of LACERS. The proposed resolution will supersede any previously adopted resolutions related to General Manager Designee signature authority and is effective upon adoption.

1. Assistant General Manager(s) – for the approval of contracts in compliance with the contracting limitations established in the LACC; approval of expenditures; and approval of benefit payments and related transactions;
2. Chief Benefits Analyst of Administration Division (AD) – for the approval of contracts in compliance with the contracting limitations established in the LACC; for the approval of service purchase contracts, certifications of service, and related transactions, and approval of expenditures within the authorized AD budget. The Chief Benefits Analyst may delegate to the Senior Management Analysts I and II in the Administrative Services Office the approval of expenditures within the established thresholds specified in the memorandum submitted to the Chief Accounting Employee of LACERS. The Chief Benefits Analyst may further delegate to the Senior Benefits Analysts I and II in the Service Purchase Section the approval and execution of service purchase contracts, certifications of service, and related transactions.

3. Chief Benefits Analyst of Health Benefits Administration and Wellness Division (HBAWD) – for the approval of benefit payments and related transactions; and approval of expenditures within the authorized HBAWD budget. The Chief Benefits Analyst may delegate to the Senior Benefits Analyst II in the Health Benefits Administration and Wellness Division’s the approval of expenditures within the established thresholds specified in the memorandum submitted to the Chief Accounting Employee of LACERS.
4. Chief Benefits Analyst of Retirement Services Division (RSD) – for the approval of benefit payments and related transactions; and approval of expenditures within the authorized RSD budget. The Chief Benefits Analyst may delegate to the Senior Benefits Analyst IIs in the Retirement Services Division’s the approval of expenditures within the established thresholds specified in the memorandum submitted to the Chief Accounting Employee of LACERS.
5. Information Systems Manager – for the approval of expenditures within the authorized Systems Division budget.
6. Chief Investment Officer or Investment Officer III – for the approval of investment transactions required within the scope of the contracts approved by the Board; and approval of expenditures within the authorized Investment Division budget.
7. Member Services Manager – for the approval of expenditures within the authorized Member Services Section budget.
8. Departmental Personnel Director – for the approval of expenditures within the authorized Human Resources budget.
9. Departmental Audit Manager – for the approval of expenditures within the authorized Internal Audit budget.
10. Active Member Accounts & Member Stewardship Unit Manager (AMA-MSU) – for the approval of expenditures within the authorized AMA-MSU budget.
11. Systems Operations Support Manager (SOS) – for the approval of expenditures within the authorized SOS budget.

Endorsed: _____
 Todd Bouey
 Assistant General Manager

Endorsed: _____
 Dale Wong-Nguyen
 Assistant General Manager

Endorsed: _____
 Vacant
 Chief Benefits Analyst of Administration Division

Endorsed: _____
Karen Freire
Chief Benefits Analyst of Retirement Services Division

Endorsed: _____
Alex Rabrenovich
Chief Benefits Analyst of Health Benefits Administration and Wellness Division

Endorsed: _____
Rodney June
Chief Investment Officer

Endorsed: _____
Thomas Ma
Information System Manager II

Endorsed: _____
Bryan Fujita
Investment Officer III

Endorsed: _____
Wilkin Ly
Investment Officer III

Endorsed: _____
Isaias Cantú
Senior Management Analyst II

Endorsed: _____
Edeliza Fang
Senior Benefits Analyst II

Endorsed: _____
Ann Seales
Senior Benefits Analyst II

Endorsed: _____
Ferralyn Sneed
Senior Benefits Analyst II

Endorsed: _____
Bruce Bernal
Senior Benefits Analyst II

Endorsed: _____
Taneda Larios

Senior Benefits Analyst II

Endorsed: _____
Lin Lin
Departmental Personnel Director

Endorsed: _____
Melanie Rejuso
Departmental Audit Manager

Endorsed: _____
Edwin Avanesian
Senior Benefits Analyst II

Endorsed: _____
Lauren McCall
Senior Benefits Analyst II

Endorsed: _____
John Koontz
Senior Management Analyst I

Endorsed: _____
Horacio Arroyo
Senior Management Analyst I



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

MEETING: AUGUST 24, 2021

ITEM: VII – B

Neil M. Guglielmo

SUBJECT: OPTION TO AMORTIZE UNFUNDED ACTUARIAL ACCRUED LIABILITY FOR RETIREE HEALTH PLAN, AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

1. Adopt the proposed revisions to the Actuarial Funding Policy section of the LACERS Board Administrative Policies; and,
2. If desired by the Board, adopt a three-year phase-in of the adopted Retiree Health Plan Unfunded Actuarial Accrued Liability rate adjustment effectuated by the Actuarial Funding Policy revision adoption and effective with the June 30, 2021 actuarial valuation.

Executive Summary

As indicated in the March 9, 2021 report to the Board on the June 30, 2020 Actuarial Risk Assessment (Risk Assessment), LACERS' consulting actuary, Segal, has provided the attached Funding Policy consideration for the Board. Segal's recommendation addresses an issue identified in the Risk Assessment in that the current Unfunded Actuarial Accrued Liability (UAAL) for the Retiree Health Plan is expected to double in ten years and more than triple in 15, from 0.81% of payroll currently to 1.6% and 2.7% respectively. These increases will occur even if recent investment experience reduces employer contribution rates in the near term. However, there is an opportunity to mitigate the magnitude of these increases over time by buying down these future UAAL rate increases and realizing net contribution savings to the Plan Sponsor of approximately \$185 million over a recommended 21-year period.

Discussion

Segal's rationale for the recommendation to mitigate significant UAAL increases for the Retiree Health Plan is outlined as follows.

- a) Despite favorable investment return in Fiscal Year Ending June 30, 2021, relative UAAL rate doubling and tripling is still expected to occur.
- b) There will be an increase in the outstanding balance of the UAAL during the next ten years as a result of negative amortization.
- c) Recent favorable investment experience may help to mitigate immediate overall cost increases to the Plan Sponsor resultant from the proposal to increase the UAAL contribution rate sooner in order to buydown future UAAL rate increases.
- d) Resetting the amortization period for all existing UAAL amortization layers from the June 30, 2020 valuation to 21 years syncs to the same remaining period in the amortization schedule for the UAAL combined base carried over from the June 30, 2012 valuation and, as of the June 30, 2021 valuation, does not result in any negative amortization. See Table of Amortization Bases below.
- e) The proposed strategy effectively reduces variability of the UAAL rate, producing a level cost rate of 1.36% over the reset 21-year amortization period.
- f) Over the entire 21-year period, this proposal results in net contribution savings of about \$185 million.

Table of Amortization Bases for Retiree Health Plan as of June 30, 2020

Type	Date Established	Initial Balance	Initial Period	Outstanding Balance	Years Remaining	Annual Payment ¹
Plan Amendment (2009 ERIP)	06/30/2009	\$54,735,645	15	\$26,777,114	4	\$7,056,656
Combined Base ²	06/30/2012	597,984,614	30	667,716,407	22	43,031,454
Experience Loss	06/30/2013	16,206,142	15	12,567,172	8	1,773,886
Change in Assumptions	06/30/2014	135,287,549	20	129,633,489	14	11,556,241
Experience Gain	06/30/2014	-101,972,860	15	-83,997,017	9	-10,719,026
Experience Gain	06/30/2015	-193,346,818	15	-167,498,392	10	-19,563,868
Plan Change	06/30/2015	17,466,894	15	15,131,753	10	1,767,394
Experience Gain	06/30/2016	-21,878,470	15	-19,736,021	11	-2,130,960
Change in Assumptions	06/30/2017	121,183,087	20	119,768,163	17	9,230,591
Experience Gain	06/30/2017	-109,999,503	15	-102,479,665	12	-10,312,964
Change in Assumptions	06/30/2018	109,882,560	20	109,340,241	18	8,087,058
Experience Gain	06/30/2018	-59,754,629	15	-57,316,938	13	-5,413,020
Experience Gain	06/30/2019	-117,505,679	15	-115,372,594	14	-10,284,947
Change in Assumptions	06/30/2020	95,917,476	20	95,917,476	20	6,590,334
Experience Gain	06/30/2020	-128,344,365	15	-128,344,365	15	-10,854,127
Total				\$502,106,823		\$19,814,702

The immediate impact to the Plan Sponsor, effective with the June 30, 2021 actuarial valuation would be an increase to the UAAL percent of payroll rate by 0.55%, or about \$14 million, and ranging up to \$29 million over the next eight years before beginning to decline.

Contribution Rate Adjustment Phase-In

The immediate rate increases to the Plan Sponsor can be further mitigated through a phase-in of the UAAL contribution rate increase. The Board may wish to enact up to a 3-year phase-in of this policy,

effectively reducing the 0.55% increase by two-thirds and one-third respectively over the next two years. This would affect the rates as follows (including interest charges):

Valuation as of June 30	UAAL Contribution Rate (% of Payroll)
2020	0.81%
2021	0.99%
2022	1.21%
2023	1.41%

Asset Smoothing Method Adjustments

Segal also proposes an update to LACERS Asset Smoothing Method Policy to codify that certain circumstances may warrant adjustments to change the pattern of recognition of the net gains or losses after a period of significant market change followed by a period of market correction. Effectively when such circumstances are identified by LACERS' actuary and deemed appropriate based on actuarial analysis, LACERS Board would consider adopting an adjustment to the asset smoothing.

Such an adjustment was previously adopted by the Board for the June 30, 2018 valuation whereby a small net deferred investment gain of \$2.6 million was combined into a single six-year smoothing layer with level recognition of net gains of approximately \$0.4 million each year, rather than the more variable pattern of significant gains followed by significant losses and the resultant swings in relative contribution requirements.

Strategic Plan Impact Statement

This report conforms to LACERS' Strategic Plan Goal 5, Governance, to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Todd Bouey, Assistant General Manager

NMG/TB:tj

- Attachments:
1. Segal letter to LACERS dated July 14, 2021, Re: Los Angeles City Employees' Retirement System Option to Amortize Unfunded Actuarial Accrued Liability for Retiree Health Plan
 2. Actuarial Funding Policy – Redline Version
 3. Actuarial Funding Policy – Clean Version



Via E-mail

July 14, 2021

Mr. Neil Guglielmo
General Manager
Los Angeles City Employees' Retirement System
PO Box 512218
Los Angeles, CA 90051-0218

**Re: Los Angeles City Employees' Retirement System (LACERS)
Option to Amortize Unfunded Actuarial Accrued Liability (UAAL) for Retiree Health
Plan**

Dear Neil:

During our presentation of the June 30, 2020 Risk Assessment Report, we pointed out to the Board that the current UAAL contribution rate of 0.81% in the June 30, 2020 valuation for the retiree health plan is expected to double in ten years (to 1.6% of payroll in the June 30, 2030 valuation) and more than triple in fifteen years (to 2.7% of payroll in the June 30, 2035 valuation) due to the pattern of changes in the UAAL for that plan from the past several years. Note that based on the plan's current remaining UAAL amortization periods, these increases in future contribution rates will occur even if recent investment experience reduces employer contribution rates in the near term.

After further discussion with LACERS' staff, we have been asked to provide an option that may be considered by the Board in order to mitigate those future contribution rate increases. As noted above and discussed further below, we believe the Board should consider taking this action now even though recent investment experience may reduce employer contributions below those illustrated in this discussion.

Background and Discussion

In our June 30, 2020 actuarial funding valuation report for the retiree health plan, we determined the amount of contributions that would be required in order to amortize the UAAL in that valuation.

Under the Board's actuarial funding policy for the retiree health plan:

(1) changes in UAAL associated with modification in actuarial assumptions adopted as part of the triennial experience study are amortized over 20 years and

(2) changes in UAAL associated with modification in health trend assumptions reviewed every year and actuarial gains/losses are amortized over 15 years. Note actuarial gains/losses include actual premium and subsidy amounts being lower/higher than expected by the health trend assumptions, as well as any other favorable/unfavorable actuarial experience.

One of the reasons for having a longer amortization period for actuarial assumptions adopted in the triennial experience study in (1) is that the cost impact for those changes is generally expected to be higher than the cost impact of the items in (2). As the retiree health plan has continued to experience actuarial gains from actual premium and subsidy amounts increasing lower than expected by the health trend assumptions and other reasons, the retiree health plan has continued to experience recent improvement in the funded ratio and reduction in the UAAL. That has been occurring even though some of the assumption changes (e.g., investment return and mortality) adopted by the Board have increased the UAAL during the same period.

As we pointed out in our June 30, 2020 Risk Assessment Report, the UAAL contribution rate for the retiree health plan is expected to stay relatively low (or even decline) in the next several years as the actuarial gains from favorable premium experience continue to be amortized over 15 years. However, as we also pointed out in that report and absent any significantly favorable actuarial experience (such as investment return being substantially greater than the 7.0% annual rate assumed in the valuation), the UAAL contribution rate for the retiree health plan will then be expected to increase after those actuarial gains are fully amortized. This means the City's contribution rate will be expected to increase as the cost impact of actuarial assumption changes and the combined UAAL base¹ will continue to be paid off.

If we ignore the deferred investment gains/losses that were not yet recognized in the smoothed value of assets that we used in the June 30, 2020 valuation (and favorable investment return in 2020/2021), the UAAL contribution rate² for the retiree health plan of 0.81% of payroll (or about \$20 million) as calculated in the June 30, 2020 valuation is expected to double to about 1.6% of payroll (or about \$54 million) in the June 30, 2030 valuation. The UAAL rate will then continue to increase and is expected to more than triple from the June 30, 2020 level, reaching 2.7% of payroll (or about \$108 million) in the June 30, 2035 valuation.

We note that the deferred investment gains/losses from June 30, 2020 and favorable investment return in 2020/2021 are expected to lower both the 1.6% and 2.7% payroll UAAL rates estimated for the June 30, 2030 and 2035 valuations, respectively. However, the relative UAAL rate increases of about 0.8% of payroll in ten years and an additional 1.1% of payroll five

¹ On October 23, 2012, the Board elected to combine all amortization bases as of June 30, 2012, except for the base associated with the 2009 Early Retirement Incentive Program (ERIP), which remains on its original schedule. In addition, the Board adopted an initial amortization period of 30 years for the combined base as of June 30, 2012. There is 22 years left in the amortization period for that layer as of June 30, 2020.

² All of the contribution calculations provided in this letter have been made assuming contributions would be paid by the City on July 1st of each year.

years later will still occur. We therefore recommend the Board consider the option outlined in this letter even after taking into account the effect of recent favorable investment experience.

A graphical display of the June 30, 2020 UAAL layers and the annual UAAL payments required to pay down those layers from 2020 through 2042 assuming no changes to the annual payments are made by the Board are provided in Charts A and B, respectively.

In reviewing Chart A, note that there will be an increase in the outstanding balance of the UAAL during the next 10 years as a result of “negative” amortization. This happens because the actuarial gains discussed above are amortized over a shorter 15-year period while the impact of the assumption changes and the combined UAAL base are amortized over 20-year and 22-year periods, respectively. This results in net annual UAAL contributions of less than the interest charged on the total UAAL at the assumed rate (currently at 7.00% in the June 30, 2020 valuation).

In the rest of this letter, we look at an option that may be considered by the Board in order to mitigate the rate increases that are expected to take place in future valuations.

Chart A - Projection of Outstanding Balance of \$502.1 million in Net UAAL as of June 30, 2020

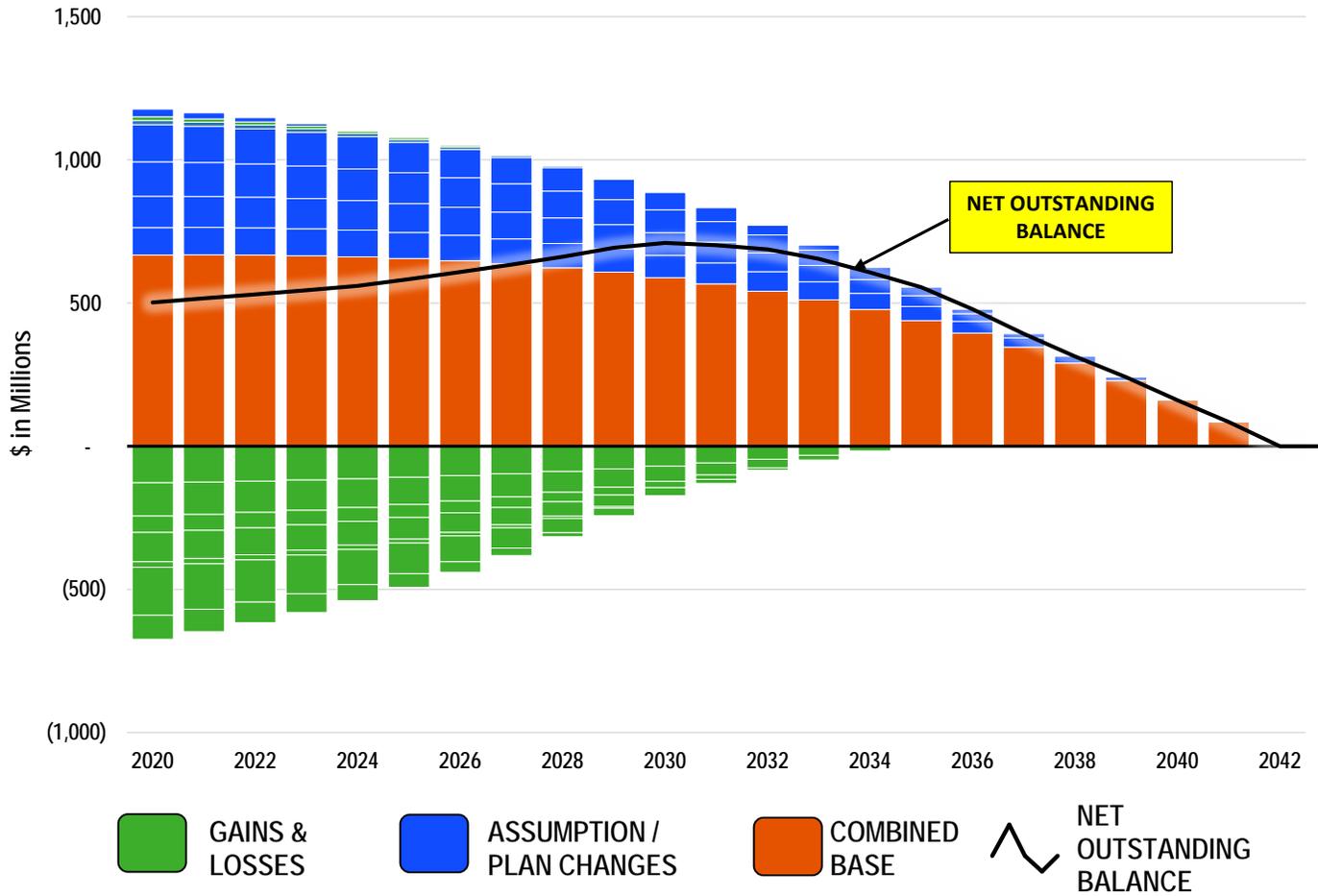
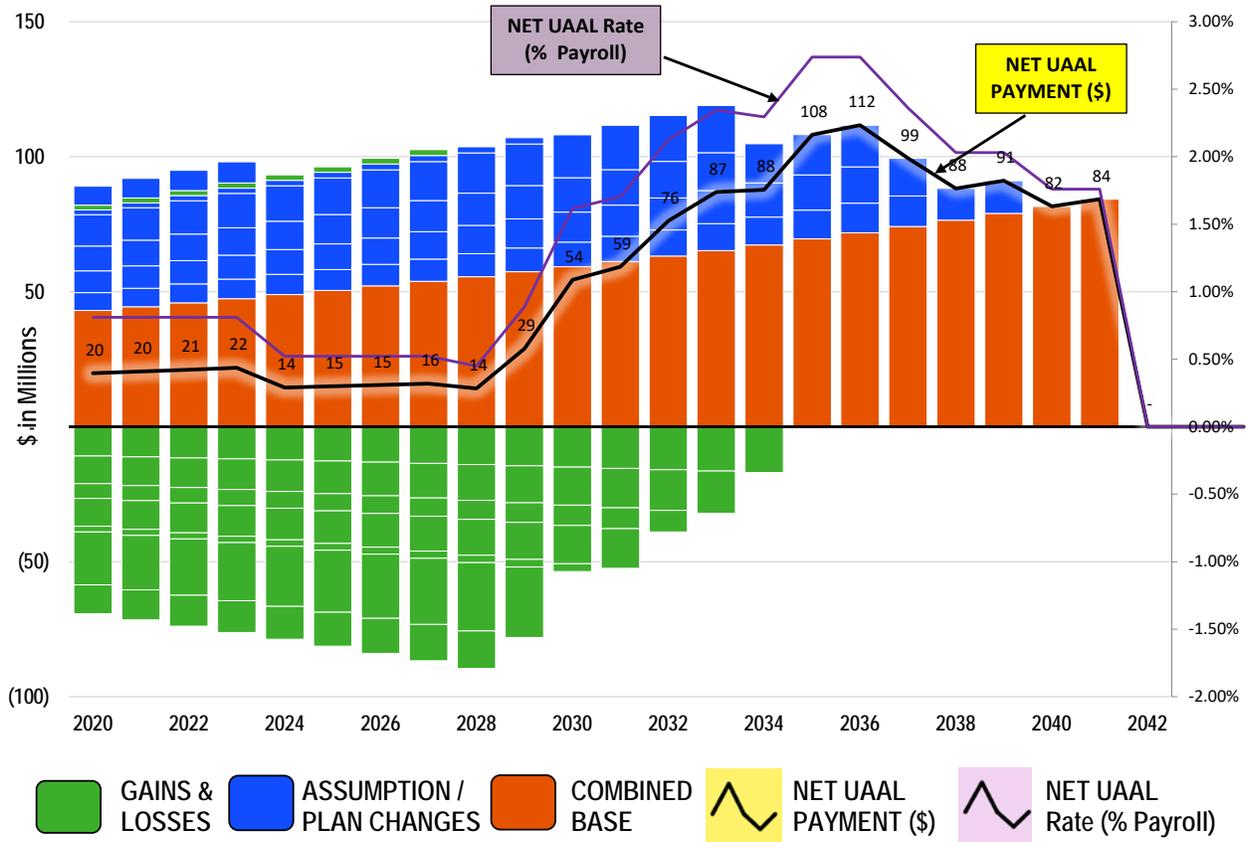


Chart B - Annual Payments (\$ and % Payroll) Required to Amortize \$502.1 million in Net UAAL as of June 30, 2020



Option to Mitigate Increases in Contribution Rate for Retiree Health Plan

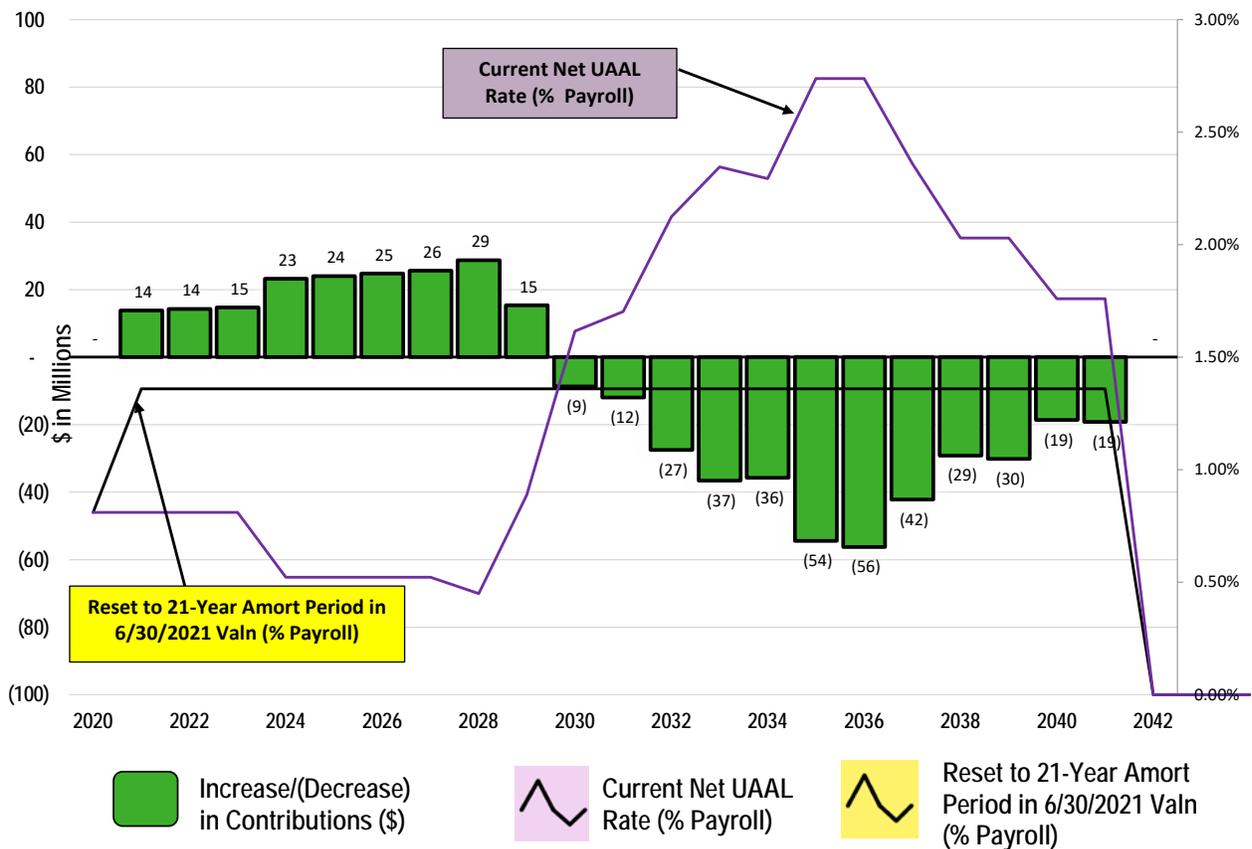
In order to mitigate the rate increases that are expected to take place in those future valuations as shown in Chart B, it would be necessary to increase the current 0.81% of payroll UAAL contribution rate in the next few years in order to buydown the future UAAL rate increases.

Reset the Amortization Periods for all Existing UAAL Layers

Under this option, the Board would reset the amortization periods for all existing UAAL amortization layers from the June 30, 2020 valuation to 21 years in the June 30, 2021 valuation. As we noted above, 21 years is the same as the remaining period in the amortization schedule for the UAAL combined base carried over from the June 30, 2012 valuation. One advantage of this approach is that, with the actuarial assumptions currently used in the valuation, resetting the amortization periods at 21 years would not result in any “negative” amortization. With this reset of the amortization periods, the current 0.81% of payroll UAAL rate in the June 30, 2020 valuation would increase immediately to 1.36% of payroll in the June 30, 2021 valuation. It would remain at 1.36% of payroll until the UAAL is paid off in the 2042 valuation.

In Chart C below, we show how under this option the additional contributions paid in the early years (the positive green bars from the June 30, 2021 through the June 30, 2029 valuations) are in essence used to offset the current policy's contribution increases in the later years (the negative green bars from the June 30, 2030 through the June 30, 2041 valuations). This produces the level cost rate of 1.36% of payroll shown for the reset 21-year amortization period. More specifically, this option requires additional contributions of about \$14 million to \$29 million in each of the next 9 years (for a total increase in contributions of about \$185 million) in order to buydown contribution increases of \$9 million to \$56 million in the following 12 years (for a total decrease in contributions of about \$370 million). This means that, over the entire 21 year period, this option results in net contribution savings of about \$185 million.³

Chart C - Comparison of Annual Payments (% Payroll) Required under Board's Current Policy vs Reset to 21-Year Period and Difference in Annual Payments (\$)



³ We note that the above savings have been determined without considering the time value of money. On a present value basis, the additional contributions in the next 9 years have the same present value as the reduction in contributions in the following 12 years, so there is no net change in present value.

Phasing-in the Immediate Increase in UAAL Contribution Rate under this Option

If the Board considers it too burdensome to increase the UAAL contribution rate from 0.81% of payroll to 1.36% of payroll in one valuation, the Board could consider phasing in that rate increase of 0.55% of payroll over a few years. This would be similar to the approach used by the Board when phasing in contribution rate increases caused by applying new actuarial assumptions after an experience study.

For instance, if a 3-year phase-in were adopted, the increase in the UAAL contribution rate in the next valuation and the following valuation would be reduced by two-third and one-third of 0.55% of payroll, respectively, before considering the interest charged on not paying the 0.55% rate immediately. Including those interest charges, the UAAL rates in the next few years under a 3-year phase-in are as follows:

Valuation as of June 30	UAAL Contribution Rate (% of Payroll)
2020	0.81%
2021	0.99%
2022	1.21%
2023	1.41%

Other Considerations

The above analyses have been prepared ignoring any deferred investment gains/losses not yet recognized in the June 30, 2020 valuation and without taking into account any future changes in UAAL that might result from changes in actuarial assumptions and actuarial experience gains/losses. However, those UAAL changes would not change the pattern of UAAL contribution rate increases due to the past experience of the retiree health plan. Any such UAAL changes would simply be amortized over the corresponding amortization periods in the Board's actuarial funding policy and would increase (in the case of a loss) or decrease (in the case of a gain) all the UAAL rates discussed above.

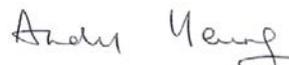
We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please give us a call if you have any questions.

Sincerely,



Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President & Actuary



Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary

DNA/hy

Section 3.0 FINANCIAL, ACTUARIAL, AUDIT ADMINISTRATION

3.1 ACTUARIAL FUNDING POLICY

Modified: October 23, 2012; September 9, 2014; August 24, 2021

Goals of Actuarial Funding Policy

1. To achieve long-term full funding of the cost of benefits provided by LACERS;
2. To seek reasonable and equitable allocation of the cost of benefits over time; and,
3. To minimize volatility of the plan sponsor's contribution to the extent reasonably possible, consistent with other policy goals.

Funding Requirement

LACERS annual funding requirement is comprised of a payment of the Normal Cost and a payment on the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost and the amount of payment on UAAL are determined by the following three components of this funding policy:

- I. Actuarial Cost Method: the techniques to allocate the cost/liability of retirement or health benefit to a given period;
- II. Asset Smoothing Method: the techniques that spread the recognition of investment gains or losses over a period of time for the purposes of determining the Actuarial Value of Assets used in the actuarial valuation process; and
- III. Amortization Policy: the decisions on how, in terms of duration and pattern, to reduce the difference between the Actuarial Accrued Liability and the Actuarial Value of Assets in a systematic manner.

I. Actuarial Cost Method:

- a. The Entry Age Normal method shall be applied for the existing and any future tiers of retirement or health benefit in determining the Normal Cost and the Actuarial Accrued Liability.

II. Asset Smoothing Method:

- a. The gains or losses of each valuation period, as a result of comparing the Market Value of assets at the end of the period with what the Market Value would have been if the assumed rate of return on assets was realized during the period, shall be recognized in level amount over 7 years in calculating the Actuarial Value of Assets;
- b. The Actuarial Value of Assets as determined above shall be limited to be within a corridor of 60% - 140% of the Market Value of assets.
- c. This policy anticipates that future circumstances may warrant adjustments to change the pattern of the recognition of the net gains or losses after a period of significant market change followed by a period of market correction, upon receiving an analysis from LACERS' actuary. Such adjustments would be appropriate when the net gains or losses are relatively small (i.e., the actuarial and market values are very close together) and the following conditions are met:

Section 3.0 FINANCIAL, ACTUARIAL, AUDIT ADMINISTRATION

- i. The net gains or losses are unchanged as of the date of the adjustment; and
- ii. The period over which the net gains and losses are fully recognized is unchanged as of the date of the adjustment.

III. Amortization Policy:

- a. The Unfunded Actuarial Accrued Liability (UAAL), the difference between the Actuarial Accrued Liability and the Actuarial Value of Assets, shall be amortized over various periods of time, depending on how the unfunded liability arose;
- b. For UAAL identified before the June 30, 2010 actuarial valuation:
 - i. The UAAL as of June 30, 2005 shall be amortized over 30 years;
 - ii. Actuarial gains or losses shall be amortized over 15 years;
 - iii. Plan amendments, other than the City's Early Retirement Incentive Program of 2009-2010, shall be amortized over 30 years;
 - iv. The City's Early Retirement Incentive Program of 2009-2010 shall be amortized over 15 years;
 - v. Changes in actuarial assumptions and cost methods shall be amortized over 30 years;
- c. For UAAL identified beginning from the June 30, 2010 actuarial valuation:
 - i. Actuarial gains or losses shall be amortized over 15 years;
 - ii. Plan amendments, other than Early Retirement Incentives, shall be amortized over 15 years;
 - iii. Early Retirement Incentives shall be amortized over 5 years;
 - iv. Changes in actuarial assumption and cost methods, other than those assumptions related with health benefit and reviewed annually by the Board, shall be amortized over 20 years;
 - v. Changes in actuarial assumptions related with health benefit and reviewed annually by the Board shall be amortized over 15 years;
 - vi. Actuarial funding surplus (an excess of Actuarial Value of Assets over Actuarial Accrued Liability) shall be amortized over 30 years;
 - vii. All UAAL layers for the Pension Plan as of June 30, 2012 shall be combined and amortized over 30 years, except the layers created in 2004 and 2005 for GASB compliance and the layers created in 2009 as a result of the Early Retirement Incentive Program, which will maintain their original amortization schedules.

Section 3.0 FINANCIAL, ACTUARIAL, AUDIT ADMINISTRATION

- viii. All UAAL layers for the Retiree Health Plan as of the June 30, 2020 actuarial valuation shall be amortized over 21 years starting with the June 30, 2021 actuarial valuation.
- d. UAAL shall be amortized over "closed" amortization periods;
- e. UAAL shall be amortized as a level percentage of payroll so that the amortization amount in each year during the amortization period shall be expected to be a level percentage of covered payroll, taking into consideration the current assumption for general payroll increase;
- f. Layers generated by various sources of UAAL shall be combined and/or restarted when:
 - i. It is required to comply with the amortization standards set forth by the Governmental Accounting Standards Board (GASB); or
 - ii. The net result of amortization of each layer is an amortization credit which would offset the Normal Cost; or
 - iii. Other conditions arise so that the Board considers that it is appropriate to do so.

Section 3.0 FINANCIAL, ACTUARIAL, AUDIT ADMINISTRATION

3.1 ACTUARIAL FUNDING POLICY

Modified: October 23, 2012; September 9, 2014; August 24, 2021

Goals of Actuarial Funding Policy

1. To achieve long-term full funding of the cost of benefits provided by LACERS;
2. To seek reasonable and equitable allocation of the cost of benefits over time; and,
3. To minimize volatility of the plan sponsor's contribution to the extent reasonably possible, consistent with other policy goals.

Funding Requirement

LACERS annual funding requirement is comprised of a payment of the Normal Cost and a payment on the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost and the amount of payment on UAAL are determined by the following three components of this funding policy:

- I. Actuarial Cost Method: the techniques to allocate the cost/liability of retirement or health benefit to a given period;
- II. Asset Smoothing Method: the techniques that spread the recognition of investment gains or losses over a period of time for the purposes of determining the Actuarial Value of Assets used in the actuarial valuation process; and
- III. Amortization Policy: the decisions on how, in terms of duration and pattern, to reduce the difference between the Actuarial Accrued Liability and the Actuarial Value of Assets in a systematic manner.

I. Actuarial Cost Method:

- a. The Entry Age Normal method shall be applied for the existing and any future tiers of retirement or health benefit in determining the Normal Cost and the Actuarial Accrued Liability.

II. Asset Smoothing Method:

- a. The gains or losses of each valuation period, as a result of comparing the Market Value of assets at the end of the period with what the Market Value would have been if the assumed rate of return on assets was realized during the period, shall be recognized in level amount over 7 years in calculating the Actuarial Value of Assets;
- b. The Actuarial Value of Assets as determined above shall be limited to be within a corridor of 60% - 140% of the Market Value of assets.
- c. This policy anticipates that future circumstances may warrant adjustments to change the pattern of the recognition of the net gains or losses after a period of significant market change followed by a period of market correction, upon receiving an analysis from LACERS' actuary. Such adjustments would be appropriate when the net gains or losses are relatively small (i.e., the actuarial and market values are very close together) and the following conditions are met:

Section 3.0 FINANCIAL, ACTUARIAL, AUDIT ADMINISTRATION

- i. The net gains or losses are unchanged as of the date of the adjustment; and
- ii. The period over which the net gains and losses are fully recognized is unchanged as of the date of the adjustment.

III. Amortization Policy:

- a. The Unfunded Actuarial Accrued Liability (UAAL), the difference between the Actuarial Accrued Liability and the Actuarial Value of Assets, shall be amortized over various periods of time, depending on how the unfunded liability arose;
- b. For UAAL identified before the June 30, 2010 actuarial valuation:
 - i. The UAAL as of June 30, 2005 shall be amortized over 30 years;
 - ii. Actuarial gains or losses shall be amortized over 15 years;
 - iii. Plan amendments, other than the City's Early Retirement Incentive Program of 2009-2010, shall be amortized over 30 years;
 - iv. The City's Early Retirement Incentive Program of 2009-2010 shall be amortized over 15 years;
 - v. Changes in actuarial assumptions and cost methods shall be amortized over 30 years;
- c. For UAAL identified beginning from the June 30, 2010 actuarial valuation:
 - i. Actuarial gains or losses shall be amortized over 15 years;
 - ii. Plan amendments, other than Early Retirement Incentives, shall be amortized over 15 years;
 - iii. Early Retirement Incentives shall be amortized over 5 years;
 - iv. Changes in actuarial assumption and cost methods, other than those assumptions related with health benefit and reviewed annually by the Board, shall be amortized over 20 years;
 - v. Changes in actuarial assumptions related with health benefit and reviewed annually by the Board shall be amortized over 15 years;
 - vi. Actuarial funding surplus (an excess of Actuarial Value of Assets over Actuarial Accrued Liability) shall be amortized over 30 years;
 - vii. All UAAL layers for the Pension Plan as of June 30, 2012 shall be combined and amortized over 30 years, except the layers created in 2004 and 2005 for GASB compliance and the layers created in 2009 as a result of the Early Retirement Incentive Program, which will maintain their original amortization schedules.

Section 3.0 FINANCIAL, ACTUARIAL, AUDIT ADMINISTRATION

- viii. All UAAL layers for the Retiree Health Plan as of the June 30, 2020 actuarial valuation shall be amortized over 21 years starting with the June 30, 2021 actuarial valuation.
- d. UAAL shall be amortized over "closed" amortization periods;
- e. UAAL shall be amortized as a level percentage of payroll so that the amortization amount in each year during the amortization period shall be expected to be a level percentage of covered payroll, taking into consideration the current assumption for general payroll increase;
- f. Layers generated by various sources of UAAL shall be combined and/or restarted when:
 - i. It is required to comply with the amortization standards set forth by the Governmental Accounting Standards Board (GASB); or
 - ii. The net result of amortization of each layer is an amortization credit which would offset the Normal Cost; or
 - iii. Other conditions arise so that the Board considers that it is appropriate to do so.



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

MEETING: AUGUST 24, 2021
ITEM: VIII-A

Neil M. Guglielmo

SUBJECT: 2022 MAXIMUM SUBSIDY AND REIMBURSEMENT AMOUNTS AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board approve the following maximum 2022 subsidy and reimbursement amounts:

- (1) A maximum medical plan premium subsidy of \$1,800.48 for Tier 1 Discretionary and Vested Retired Members under Age 65 or enrolled in a Medicare Part B only;
- (2) A maximum reimbursement of \$1,800.48 for Tier 1 Discretionary and Vested Retired Members under Age 65 or with Medicare Part B only, enrolled in the Medical Premium Reimbursement Program;
- (3) A maximum reimbursement of \$494.67 for Tier 1 Discretionary and Vested, and Tier 3 Retired Members, with Medicare Parts A and B, and enrolled in the Medical Premium Reimbursement Program; and
- (4) A maximum dental subsidy of \$44.60 for Tier 1 and Tier 3 Retired Members.

Executive Summary

LACERS provides a variety of health benefits to Retired Members in the forms of subsidies and reimbursements. The Board's role in setting the maximum retiree health subsidies and the Medical Premium Reimbursement Program (MPRP) reimbursement amounts differs based on Los Angeles Administrative Code provisions. Limits on increases to subsidies and reimbursements are based on different factors, including rates of increase on certain medical plans and LACERS' performance compared with the assumed actuarial medical trend rate.

Discussion

This report was presented to the Benefits Administration Committee at their August 10, 2021, meeting. However, due to lack of a quorum in the Committee, no action was taken, and the recommendations contained herein are being forwarded to the Board for their consideration.

As approved by the Board, although there will a slight increase in the Kaiser two-party non-Medicare plan, and a commensurate proposed increase in the subsidies and reimbursements

associated with that plan's premiums, there will be a more significant decrease in the highest cost Medicare Parts A and B plan, resulting in a small, albeit positive, estimated 1.3% decrease in LACERS' subsidy and reimbursement payments from 2021.

Maximum dental subsidies reflect those provided for active City employees, which will remain at the 2021 level for 2022.

Strategic Plan Impact Statement

Timely adoption of health benefits allows staff to: 1) Develop Member communications that provide Members sufficient time to make informed health plan decisions; and, 2) update systems in time for the new plan year so that subsidies and reimbursements can be applied correctly. These align with Strategic Plan Goals II (Benefit Delivery Goal – Accurate and timely delivery of member benefits) and V (Board Governance Goal – Uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Bruce Bernal, Senior Benefits Analyst, Health Benefits and Wellness Division

NMG/DWN/AR:bb

Attachments: 1. August 10, 2021 Benefits Administration Committee report
2. Proposed Resolution



REPORT TO BENEFITS ADMINISTRATION COMMITTEE
From: Neil M. Guglielmo, General Manager

MEETING: AUGUST 10, 2021
ITEM: III

SUBJECT: 2022 MAXIMUM MEDICAL AND DENTAL PLAN PREMIUM SUBSIDIES AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend the Board approve the following:

- 1) A maximum medical plan premium subsidy of \$1,800.48 for Tier 1 Discretionary and Vested Retired Members under Age 65 or enrolled in a Medicare Part B only;
- 2) A maximum reimbursement of \$1,800.48 for Tier 1 Discretionary and Vested Retired Members under Age 65 or with Medicare Part B only, enrolled in the Medical Premium Reimbursement Program;
- 3) A maximum reimbursement of \$494.67 for Tier 1 Discretionary and Vested, and Tier 3 Retired Members, with Medicare Parts A and B, and enrolled in the Medical Premium Reimbursement Program; and
- 4) A maximum dental subsidy of \$44.60 for Tier 1 and Tier 3 Retired Members.

Executive Summary

LACERS provides a variety of health benefits to Retired Members in the forms of subsidies and reimbursements. The Board’s role in setting the maximum retiree health subsidies and the Medical Premium Reimbursement Program (MPRP) reimbursement amounts differs based on the Los Angeles Administrative Code provisions listed in Attachment 1. Limits on increases to subsidies and reimbursements are based on different factors, including the amount of increase to certain medical plan premiums and LACERS’ medical plan premium cost trend compared with the assumed actuarial medical trend rate (Attachment 2).

Discussion

LACERS administers two tiers of retirement and health benefits.

Tier 1 benefits are available to City employees who were hired prior to February 21, 2016. For Tier 1 retiree medical benefits, there are three categories of Retired Members:

- 1) Discretionary – these Members retired on or before June 30, 2011;

- 2) Vested – these Members retired on or after July 1, 2011, and made additional contributions to LACERS; and,
- 3) Capped – these Members retired on or after July 1, 2011, and did not make additional contributions to LACERS.

Tier 3 retiree medical benefits are available to retired City employees who were hired on or after February 21, 2016.

Established by Ordinance and Do Not Require Board Action

Maximum Medical Plan Premium Subsidies and MPRP Reimbursement Amounts for Tier 1 Capped Retired Members and their Survivors

All medical benefit amounts for these Members and their Survivors are capped at 2011 amounts. The medical subsidy that may be used toward premium costs of covering a dependent is also capped.

Maximum Medical Plan Premium Subsidies for Tier 1 Discretionary and Vested, and Tier 3 Retired Members, Enrolled in Medicare Parts A and B

The maximum subsidy is based on the single-party premium of the LACERS plan in which the Retired Member is enrolled.

Maximum Medical Plan Premium Subsidy and MPRP Reimbursement Amount for Tier 3 Retired Members Under Age 65 or Enrolled in Medicare Part B Only

The maximum subsidy and reimbursement amount is based on the Kaiser two-party non-Medicare plan premium.

Survivor Medical Plan Premium Subsidies and MPRP Reimbursement Amounts for Tier 1 and Tier 3 Retired Members

A Survivor's subsidy amount is based on the Retired Member's years of Service Credit.

- *Survivors Under Age 65 or Enrolled in Medicare Part B Only* – The maximum Survivor subsidy is set by Ordinance and is equal to the single-party premium of the lowest-cost non-Medicare plan. The lowest-cost LACERS non-Medicare plan is the Kaiser Permanente HMO.
- *Survivors Enrolled in Medicare Parts A and B* – The maximum subsidy is set at the single-party premium of the LACERS plan in which the Survivor is enrolled.

Established by Board Resolution

Medical Plan Premium Subsidies

- Tier 1 Vested Retired Members Under Age 65 or Enrolled in Medicare Part B Only
- Tier 1 Discretionary Retired Members Under Age 65 or Enrolled in Medicare Part B Only

For Vested Retired Members, increases to the maximum subsidy are no less than the increase to the Kaiser non-Medicare two-party plan premium. The Board has the option to apply the same subsidy increase to Discretionary Retired Members, as long as the increase remains within the Board's authority, as established in Section 4.1111(b) of the Los Angeles Administrative Code (LAAC). For 2022, the Kaiser HMO premium will increase from \$1,790.80 to \$1,800.48, so staff recommends that the maximum subsidy be set at \$1,800.48 for both groups.

Medical Premium Reimbursement Program (MPRP) Reimbursement Maximums

The MPRP is available to Retired Members and Survivors who live outside of California or within California and outside of a LACERS HMO zip code service area. In order to participate, Members enroll in an individual plan and submit proof of premium payment to LACERS. LACERS reimburses premium costs up to the Member's subsidy amount on a quarterly basis.

The recommended Maximum MPRP Reimbursement amounts for the following are:

- Tier 1 Discretionary and Vested Retired Members Under Age 65 or Enrolled in Medicare Part B Only

The maximum MPRP reimbursement amounts are set similar to the medical subsidies. Given the recommendation to set the maximum medical subsidy at \$1,800.48, it is recommended that the same maximum be applied toward MPRP reimbursements. This will provide Members who are unable to access a LACERS HMO the same amount of subsidy dollars to apply toward non-LACERS medical coverage.

- Tier 1 Discretionary and Vested Retired Members, and Tier 3 Members, Enrolled in Medicare Parts A and B

Pursuant to the Los Angeles Administrative Code, the Board has the authority to increase the maximum reimbursement amount to an amount not to exceed the one-party premium of LACERS' highest cost Medicare plan. In 2022, the monthly premium for LACERS' highest-cost single-party Medicare Parts A and B medical plan, the Anthem Medicare Advantage Passive PPO plan, will be \$494.67. Staff recommends the maximum reimbursement for MPRP participants enrolled in Medicare Parts A and B be set at \$494.67.

Overall Member Impact

The chart below shows the average subsidy and monthly allowance premium deduction amounts covered Members realized in 2021 and how they will change based on 2022 subsidy decisions. The results demonstrate reductions in the average monthly deduction amounts and minimal impact on Members overall.

Member Status	2022 Estimated Population	2021 Subsidy \$1,790.80		2022 Subsidy \$1,800.48	
		Avg. Monthly Subsidy	Avg. Monthly Deduction	Avg. Monthly Subsidy	Avg. Monthly Deduction
Non-Medicare Retiree	4,587	\$1,343.19	\$93.12	\$1,350.44	\$71.07
Non-Medicare Survivor	189	\$805.91	\$172.96	\$810.26	\$136.40
Medicare Retiree	10,291	\$500.23	\$42.23	\$438.05	\$36.98
Medicare Survivor	1,613	\$341.77	\$14.30	\$299.29	\$12.52
All Covered Members	16,680	\$720.42	\$55.00	\$688.99	\$49.61

Dental Plan Premium Subsidy

Maximum Retiree Dental Plan Premium Subsidy for Tier 1 and Tier 3 Retired Members

The Retired Member maximum dental plan premium subsidy cannot exceed the maximum dental plan premium subsidy for Active Members. The maximum dental plan subsidy for Active Members of LACERS for plan year 2022 will remain unchanged at \$44.60 per month. It is recommended that the maximum dental subsidy for Tier 1 and Tier 3 Retired Members be retained at \$44.60.

Strategic Plan Impact Statement

Timely adoption of health benefits allows staff to: 1) Develop Member communications that provide Members sufficient time to make informed health plan decisions; and 2) update systems in time for the new plan year so that subsidies and reimbursements can be applied correctly. These align with Strategic Plan Goals II (Benefit Delivery Goal – Accurate and timely delivery of member benefits) and V (Board Governance Goal – Uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Bruce Bernal, Senior Benefits Analyst of the Health Benefits and Wellness Division.

NMG/AR:bb

- Attachments:
- 1) How LACERS Health Subsidy and Reimbursement Amounts Are Set – 2022
 - 2) LACERS Medical Plan Premium Subsidy for Tier 1 Discretionary Retired Members
 - 3) LACERS Historical Medical Subsidy Costs

HOW LACERS HEALTH SUBSIDY AND REIMBURSEMENT AMOUNTS ARE SET

Benefit Type	Tier 1 Retired Before July 1, 2011 “Discretionary”	Tier 1 Retired After July 1, 2011, “Vested”	Tier 1 Retired After July 1, 2011, “Capped”	Tier 3
Retiree Medical Subsidy, Under 65 or Medicare Part B Only	Board Resolution	Board Resolution	Ordinance	Ordinance
Retiree Medical Subsidy, Medicare Parts A and B	Ordinance	Ordinance	Ordinance	Ordinance
Retiree Medical Premium Reimbursement Program Reimbursement, Under 65 or Medicare Part B Only	Board Resolution	Board Resolution	Ordinance	Ordinance
Retiree Medical Premium Reimbursement Program Reimbursement, Medicare Parts A and B	Board Resolution	Board Resolution	Ordinance	Board Resolution
Retiree Dental Subsidy	Board Resolution	Board Resolution	Board Resolution	Board Resolution
Survivor Medical Subsidy, Under 65 or Medicare Part B Only	Ordinance	Ordinance	Ordinance	Ordinance
Survivor Medical Subsidy, Medicare Parts A and B	Ordinance	Ordinance	Ordinance	Ordinance
Survivor Medical Premium Reimbursement Program Reimbursement, Under 65 or Medicare Part B Only	Ordinance	Ordinance	Ordinance	Ordinance
Survivor Medical Premium Reimbursement Program Reimbursement, Medicare Parts A and B	Ordinance	Ordinance	Ordinance	Ordinance

LACERS MEDICAL PLAN PREMIUM SUBSIDY FOR TIER 1 DISCRETIONARY RETIRED MEMBERS

The LACERS Board has the authority to increase the maximum medical plan premium subsidy by the amount of the increase in the Kaiser Permanente HMO (non-Medicare) two-party premium. If the three-year average increase in the subsidy is greater than the three-year average assumed actuarial medical trend rate for the same period, the increase must be approved by City Council. City Council may set the increase at any other amount.

The table below shows by how much the Board may increase the 2022 maximum subsidy before hitting the cap imposed by the three-year average assumed actuarial medical trend rate.

	<u>Assumed Actuarial Trend Rate*</u>	<u>% Increase</u>	<u>Max. Medical Subsidy Amt. (Cap)</u>
2022	6.75%	20.5%	\$2,157.91**
2021	6.75%	0.0%	\$1,790.80
2020	7.00%	0.0%	\$1,790.80
3-yr Average	6.83%	6.83%	

*The assumed actuarial medical trend rates for coming years may be adjusted during each valuation and may alter the information contained in these tables.

**For the 2022 plan year, the LACERS Board could approve a two-party Kaiser non-Medicare HMO premium increase of up to 20.5% without requiring City Council approval for the associated subsidy increase.

LACERS HISTORICAL MEDICAL SUBSIDY COSTS

BAC Meeting: 08/10/21
Item III
Attachment 3

Year	1999	2000	2001	2002	2003	2004	2005	2005	2007
Maximum Monthly Medical Subsidy	\$508.00	\$702.00	\$702.00	\$751.00	\$872.00	\$883.00	\$883.00	\$883.00	\$983.00
Dollar Increase - Maximum Subsidy		\$194.00	\$0.00	\$49.00	\$121.00	\$11.00	\$0.00	\$0.00	\$100.00
% Increase - Maximum Subsidy		38.2%	0.0%	7.0%	16.1%	1.3%	0.0%	0.0%	11.3%
Kaiser 2-Party	\$409.84	\$604.44	\$631.56	\$679.68	\$800.08	\$813.87	\$870.56	\$870.56	\$982.74
Dollar Increase - Kaiser 2-Party		\$194.60	\$27.12	\$48.12	\$120.40	\$13.79	\$56.69	\$0.00	\$112.18
% Increase - Kaiser 2-Party		47.5%	4.5%	7.6%	17.7%	1.7%	7.0%	0.0%	12.9%
Aggregate Medical Premium Increase				17.0%	16.1%	18.2%	-5.2%	-5.2%	12.5%
% Premium Cost Subsidized	88.9%	91.0%	88.4%	90.8%	93.9%	92.0%	92.4%	92.4%	91.1%

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Maximum Monthly Medical Subsidy	\$1,022.00	\$1,120.00	\$1,123.00	\$1,190.00	\$1,190.00	\$1,367.00	\$1,464.00	\$1,580.08	\$1,580.08	\$1,736.88	\$1,790.80	\$1,790.80	\$1,790.80	\$1,790.80	\$1,800.48
Dollar Increase - Maximum Subsidy	\$39.00	\$98.00	\$3.00	\$67.00	\$0.00	\$177.00	\$97.00	\$116.08	\$0.00	\$156.80	\$53.92	\$0.00	\$0.00	\$0.00	\$9.68
% Increase - Maximum Subsidy	4.0%	9.6%	0.3%	6.0%	0.0%	14.9%	7.1%	7.9%	0.0%	9.9%	3.1%	0.0%	0.0%	0.0%	<1.0%
Kaiser 2-Party	\$1,021.54	\$1,119.58	\$1,122.74	\$1,189.22	\$1,187.24	\$1,363.44	\$1,459.66	\$1,575.74	\$1,496.06	\$1,652.86	\$1,706.78	\$1,660.88	\$1,626.28	\$1,706.78	\$1,800.48
Dollar Increase - Kaiser 2-Party	\$38.80	\$98.04	\$3.16	\$66.48	(\$1.98)	\$176.20	\$96.22	\$116.08	(\$79.68)	\$156.80	\$53.92	(\$107.46)	(\$34.60)	\$80.50	\$93.70
% Increase - Kaiser 2-Party	3.9%	9.6%	0.3%	5.9%	-0.2%	14.8%	7.1%	8.0%	-5.1%	10.5%	3.3%	-2.7%	-2.1%	4.9%	5.5%
Aggregate Medical Premium Increase	5.7%	7.1%	4.5%	6.2%	0.2%	7.9%	7.4%	4.8%	4.8%	6.5%	5.4%	-1.2%	1.0%	0.7%	-1.45%
% Premium Cost Subsidized	91.6%	92.5%	91.8%	91.3%	90.9%	92.7%	92.5%	94.0%	94.0%	94.3%	93.7%	94.2%	93.8%	93.4%	93.7%

MAXIMUM HEALTH PLAN SUBSIDIES AND REIMBURSEMENT AMOUNTS
FOR PLAN YEAR 2022

PROPOSED RESOLUTION

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

WHEREAS, Section 4.1111(b) of the Los Angeles Administrative Code provides that by resolution, the Board of Administration may change the maximum monthly medical subsidy for eligible Tier 1 retirees who retired before July 1, 2011, so long as any increase does not exceed the dollar increase in the Kaiser two-party non-Medicare plan premium and the average percentage increase for the first year of the increase and the preceding two years does not exceed the average assumed actuarial medical trend rate for the same period;

WHEREAS, Section 4.1111(c) of the Los Angeles Administrative Code provides that by resolution, the Board of Administration shall, for Tier 1 retirees who at any time prior to retirement made additional contributions to LACERS as provided in Section 4.1003(c) of the Los Angeles Administrative Code, set the increase in the maximum medical plan premium subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and B premium;

WHEREAS, Sections 4.1112(b) and 4.1112(d) of the Los Angeles Administrative Code provide that by resolution, the Board of Administration may increase the monthly reimbursement maximum of eligible retirees participating in the Medical Premium Reimbursement Program;

WHEREAS, Section 4.1114(a) of the Los Angeles Administrative Code provides that the Board of Administration may, in its discretion, decrease or increase the maximum retiree dental plan subsidy to reflect changes in the dental plan subsidy provided to active City of Los Angeles employees;

WHEREAS, on August 10, 2021, the 2022 health benefit subsidies and reimbursements were presented to the Benefits Administration Committee, these recommendations were forwarded to the Board without recommendation due to lack of a quorum in the Committee.

WHEREAS, on August 24, 2021, the Board of Administration approved the 2022 health benefit subsidies and reimbursements;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Administration hereby adopts the following 2022 health benefit subsidies and reimbursements:

Benefit Type	Tier 1 Retired Before July 1, 2011 “Discretionary”	Tier 1 Retired After July 1, 2011 “Vested”	Tier 3
Retiree Medical Subsidy, <65/Medicare Part B	\$1,800.48	\$1,800.48	-
Retiree MPRP Reimbursement, <65/Medicare Part B	\$1,800.48	\$1,800.48	-
Retiree MPRP Reimbursement, Medicare Parts A and B	\$494.67	\$494.67	\$494.67
Retiree Dental Subsidy	\$44.60	\$44.60	\$44.60

August 24, 2021



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

MEETING: AUGUST 24, 2021

ITEM: IX – A

Neil M. Guglielmo

SUBJECT: CONTRACT AWARD RECOMMENDATION FOR INVESTIGATIVE SERVICES AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

- 1) Approve awarding contracts to Frasco Inc. and TruView BSI LLC, to provide investigative services, and;
- 2) Authorize the General Manager to negotiate the terms and conditions and execute the contracts for each recommended firm in an amount not to exceed \$ 30,000 per contract, per year for a three-year period.

Executive Summary

Since 2013, LACERS has utilized the services of investigative firms to complement security measures aimed at safeguarding the administration of retirement benefits. Professional investigative services firms, unlike in-house staff, have the resources, trained staff, and the appropriate expertise to locate benefit recipients, conduct in-person Alive and Well checks, and assist in fraud investigations. During the three-year contract period ending September 30, 2021, expenditures for investigative services were under \$30,000. This is down significantly from the prior three-year contract period where expenditures were tracked at \$106,000. The reduced utilization reflects internal reorganization impacted by competing priorities and the COVID pandemic.

Discussion

On April 20, 2021, LACERS released the Request for Proposal (RFP) for investigative services. The RFP was advertised on the LACERS website, the Los Angeles Business Assistance Virtual Network (LABAVN), and emailed to 25 investigative associations and prior proposers. The submission deadline was May 28, 2021, and four proposals were received.

The selected proposer(s) will provide affordable professional investigative services, which include but are not limited to the following: (1) conduct both domestic and international in-person Alive and Well checks on

members or beneficiaries who have been unresponsive to both written and verbal communications from LACERS; (2) conduct sub rosa surveillance and social media searches; (3) determine the status of retirees and beneficiaries on the outstanding check roster; (4) assist with fraud investigations; and, (5) prepare written reports detailing the results of any and all investigations performed on behalf LACERS.

Proposal Evaluations

Submitted proposals were evaluated and scored based on a review of each firm’s: (1) qualifications, experience, and team of investigators; (2) coverage area and location of the investigators; (3) investigation methodology, clarity of questionnaire responses, and the thoroughness of sample reports; (4) service capacity and contracting history with pension plans, or government agencies; (5) pricing structure; and (6) administration and other offered services.

Criteria	Points
Qualifications and Experience of Team/Firm	25
Coverage Area	20
Methodology/Approach to providing services	20
Pricing Structure (Value)	15
Capacity/Contracting History	15
Pricing Structure	15
Other Services	5
Total	100

All four proposers met the required minimum qualifications of being in business for at least five years, and providing investigative services comparable to those detailed in the RFP. The four proposers, Frasco, Inc., JHRI, Inc., RJN Investigations Inc., and TruView BSI, LLC, all utilize both conventional field investigative methodologies and electronic database analytics. They also have seasoned investigators with appropriate expertise and skill levels necessary to meet LACERS service requirements. The four firms also provide nationwide coverage, but only TruView BSI, LLC provides international investigation services via a network of private investigative partners. All four firms have the experience in performing Alive and Well checks, social media searches, overt surveillance, sub rosa surveillance, beneficiary searches, and fraud investigations.

The proposed costs vary depending on the services offered. Alive and Well check fees ranged from an hourly domestic rate of \$65 to \$98 per hour plus mileage and \$185 per hour for international cases. Investigative research and social media search fees ranged from \$65 per hour to a flat fee of \$310 case. Sub rosa fees are billed at a field investigation rate ranging from \$65 to \$84.50 per hour or a flat fee of \$650.

The following is a summary of each firm's location, staffing level and relevant contracting experience:

- Frasco, Inc. is located in Burbank, California and has eight out-of-state field offices. The firm has been in business for 57 years and its primary clientele are public agencies. Frasco employs 225 full-time field investigators across the country, with 68 based in California. The firm has conducted work for LACERS, City of Los Angeles, the County of Los Angeles, the City of San Diego and the State Compensation Insurance Fund.

- JHRI, Inc. is located in Long Beach, California. The firm has been in business for 50 years and employs six full-time and seven part-time staff. It has contracted with one public agency, the Orange County Transportation Authority.
- RJN Investigations Inc. is located in Hollywood, California with field offices in Tustin and Riverside. The company has been in business for 34 years and has a staff of 68 employees. The firm has contracted with CALPERS, Orange County, Los Angeles County, and Ventura County Retirement Association Agencies. They also have done work for the Los Angeles City Attorney, Department of Water and Power, Los Angeles World Airports, the Port of Los Angeles, and the University of Southern California.
- TruView BSI, LLC is located in Hicksville New York, with a local office in Arcadia, California. The firm has been in operation for 16 years and has 150 investigators. Their investigators are multi-lingual with diverse cultural backgrounds. The company operates in all 50 states and has operational capabilities in 125 countries. The firm has performed services for contracts with large state and local government agencies, including LACERS, the Los Angeles City Attorney's Office, Department of Water and Power, the New York State and Local Retirement System, and the New York State and Local Police and Fire Retirement System.

Staff recommends awarding contracts to two firms, Frasco, Inc. and TruView BSI, LLC. Both firms were rated the top firms with having the best overall combination of cost and services in compliance with LACERS requirements. Frasco, Inc. has the most experienced with the most investigators across the country and TruView BSI, LLC would be able to provide operational coverage in 125 countries for LACERS internationally located Members. Moreover, by awarding contracts to two well-qualified firms, LACERS will have the flexibility to use both firms to ensure optimum investigative coverage both domestically and internationally. Utilizing two firms will also ensure service continuity, should it become necessary to terminate the services of one contractor. Most importantly, the use of investigative services firms will provide value through timesaving, efficiency, and assist LACERS in meeting its' strategic plan goal of accurate and timely delivery of benefits.

Strategic Plan Impact Statement

This contract award to provide investigative services conforms to the Benefit Delivery goal of ensuring accurate and timely delivery of member benefits. Such services ensure that the monthly retirement benefits LACERS provides are going to the intended recipient.

This report was prepared by: Ferralyn Sneed, Sr. Management Analyst II, Retirement Services Division.

NG:KF:FS

Attachment: Proposed Resolution

CONTRACT AWARD TO FRASCO, INC. AND TRUVIEW BSI, LLC TO PROVIDE INVESTIGATIVE SERVICES

PROPOSED RESOLUTION

WHEREAS, LACERS utilizes investigative services to aid in the administration of retirement benefits as part of LACERS proactive risk management strategy;

WHEREAS, on April 20, 2021, LACERS released a Request for Proposal to solicit proposals from qualified investigative services firms;

WHEREAS, on May 28, 2021, LACERS received four proposals from Frasco, Inc., JHRI, Inc., RJN Investigations Inc., and TruView BSI, LLC;

WHEREAS, the Board after some discussion concluded Frasco, Inc. and TRUVIEW BSI, LLC were the most qualified proposers based on experience, cost, and services provided; and,

NOW, THEREFORE BE IT RESOLVED, that the Board, subject to City Attorney approval as to form:

- 1) Approve awarding contracts to Frasco Inc. and TruView BSI LLC, to provide investigative services, and;
- 2) Authorize the General Manager to negotiate the terms and conditions and execute the contracts for each recommended firm in an amount not to exceed \$ 30,000 per contract, per year for a three-year period.



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

MEETING: AUGUST 24, 2021
ITEM: X - B

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER SEARCH FOR PASSIVE U.S., NON-U.S., AND GLOBAL INDEX STRATEGIES AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

1. Authorize staff to conduct a search pursuant to the LACERS Manager Search and Selection Policy for one or more investment managers to provide multiple passive investment strategies;
2. Approve amendments to the minimum qualifications required of candidates to participate in the search, as presented in this report; and
3. Authorize the General Manager to advertise the request for proposal (RFP) in various print and digital media, as presented in this report.

Executive Summary

LACERS has maintained a long-term relationship with BlackRock Institutional Trust Company, N.A. (BlackRock), RhumbLine Advisers Limited Partnership (RhumbLine), and State Street Global Advisors (State Street) for multiple passive investment strategies. Consistent with LACERS' contracting practices, staff recommends that the Board conduct a search to evaluate the current marketplace for multiple passive investment strategies to assess the current marketplace for such services.

Discussion

Background

In April 2012, the Board authorized a search for investment managers to provide multiple passive investment strategies under a single contract. This type of contract allows LACERS to gain exposure quickly to various passive strategies in cases such as asset allocation changes, portfolio rebalancings, or manager terminations. Having such contracts in place avoids conducting a lengthy RFP process each time the need arises for a particular passive strategy. It also reduces the number of contracts administered for passive investment mandates. As a result of the search conducted in 2012, the Board awarded contracts to BlackRock, RhumbLine, and State Street; these firms continue to be LACERS' service providers of passive strategies.

Under the contracts with BlackRock, RhumbLine, and State Street, LACERS has access to 13 passive strategies within the U.S. equities, non-U.S. equities, and core fixed income asset classes. As of August 13, 2021, LACERS had approximately \$8.9 billion invested in the following strategies:

LACERS Passive Strategies (as of August 13, 2021)		
Strategy	Manager*	AUM (\$ in millions)
S&P 500	RhumbLine	\$4,215.5
Russell 2000	RhumbLine	357.2
Russell 2000 Value	RhumbLine	155.7
MSCI World Ex-U.S. IMI	State Street	2,259.8
MSCI EAFE Small Cap	State Street	345.6
MSCI Emerging Markets	State Street	378.2
Bloomberg Barclays U.S. Aggregate Bond	State Street	1,165.6
	Total:	\$8,877.6

*LACERS currently has no assets invested with BlackRock.

Request for Proposal

Consistent with LACERS' contracting practice of routinely assessing the marketplace of service providers, staff recommends that the Board initiate a search via an RFP process for one or more investment managers to provide multiple passive strategies.

Existing LACERS managers will be required to submit RFP responses and compete in the RFP process to maintain their current mandates. In the case that an existing LACERS manager is not reselected through the RFP process, the manager's contract will be subject to termination. Additionally, Emerging Managers, as defined by LACERS Emerging Investment Manager Policy, will be encouraged to participate in this search.

Scope of Services

LACERS seeks investment managers that can provide passive strategies benchmarked to one or more of the indices listed in the following table. This comprehensive list of strategies would provide LACERS with passive options across most public markets asset classes.

U.S. Equities	Non-U.S. Equities	Core Fixed Income	Real Assets
<ul style="list-style-type: none"> •S&P 500 •Russell 1000 •Russell 1000 Growth •Russell 1000 Value •Russell MidCap •Russell Mid Cap Growth •Russell Mid Cap Value •S&P Mid Cap 400 •S&P Mid Cap 400 Growth •S&P Mid Cap 400 Value •Russell 2000 •Russell 2000 Growth •Russell 2000 Value 	<ul style="list-style-type: none"> •MSCI World ex-U.S. IMI •MSCI World ex-U.S. Growth •MSCI World ex-U.S. Value •MSCI EAFE •MSCI EAFE Growth •MSCI EAFE Value •MSCI EAFE Small Cap •MSCI Emerging Markets •MSCI Emerging Markets Growth •MSCI Emerging Markets Value •MSCI Emerging Markets Small Cap 	<ul style="list-style-type: none"> •Bloomberg Barclays U.S. Aggregate Bond 	<ul style="list-style-type: none"> •Bloomberg Barclays U.S. TIPS •FTSE NAREIT All Equity REIT •Bloomberg Commodity Index •Bloomberg Roll Select Commodity Index

LACERS will consider separately managed and commingled fund strategies. LACERS may not fund all of the passive strategies it seeks; funding will depend on LACERS’ current and future investment needs.

Minimum Qualifications

Staff and NEPC, LLC (NEPC), LACERS’ general fund consultant, will execute the search according to the LACERS Manager Search and Selection Policy (Policy), subject to the amendments proposed in this Board report. The Policy establishes pre-approved minimum qualifications for all passive investment manager searches:

1. The firm is registered investment advisor under the Investment Advisors Act of 1940 or possesses bank exemption.
2. The firm must have a proven and verifiable track record which conforms to CFA Institute’s Global Investment Performance Standards (“GIPS”), of at least five years as of June 30, 2021.
3. The strategy asset under management (AUM) must be of sufficient size that LACERS’ expected mandate size would not comprise more than 50% of the proposed product assets inclusive of LACERS assets at the time of hire. For Emerging Managers, strategy AUM must be of sufficient size that LACERS’ expected mandate size would not comprise more than 20% of the proposed product assets inclusive of LACERS assets at the time of hire.

Proposed Additional Minimum Qualifications

In order to provide a selection of well-qualified candidates, staff and NEPC recommend the Board approve the following additional minimum qualifications for the RFP:

1. The firm must be directly responsible for the management of the account, and all personnel responsible for the account must be employees of the firm or a legal joint venture partner.
2. 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.

3. The firm must have a minimum of \$50 million under management in the proposed product as of June 30, 2021 and at the time of funding, exclusive of LACERS investment, if awarded a contract.
4. The firm must be willing to accept the indices specified in the Scope of Services section as the mandate benchmarks.
5. The firm must submit its monthly and quarterly product composite returns since inception through June 30, 2021, either to NEPC’s designated product database via eVestment or as an attachment to the proposal. LACERS staff reserves the right to request more recent returns and portfolio information from candidates subsequent to receiving RFP responses.
6. Emerging Managers (as defined by the LACERS Emerging Investment Manager Policy) with a GIPS-compliant track record of less than five years for the proposed strategy may submit this track record and a supplemental track record established at a prior firm if it can be established that the emerging firm’s key individuals and/or the specific team were associated with the index strategy being considered.
7. The composite performance history submitted to eVestment or attached to the proposal must be actual results (not simulated or back-tested). For existing LACERS investment managers, the actual LACERS track record may be used.

Candidates must meet these minimum qualifications to be considered in the selection process. While several of the proposed minimum qualifications are based on data as of June 30, 2021, LACERS will reserve the right to request and consider information from candidates as of the most recent month-end or quarter-end date to avoid using stale data to evaluate candidates.

The draft RFP document is provided as Attachment 1. As part of the RFP response, candidates will be required to complete the attached questionnaire (Attachment 2). Prior to the release of the RFP, staff and NEPC may revise the RFP document or questionnaire as necessary to update or clarify information and questions contained in these documents.

Search Process and Timeline

Following Board approval of the minimum qualifications, the search will be conducted according to the process established by the Policy, as summarized in the following table. The tentative timeline for the search process is September 2021 to June 2022.

Step	Responsibility	Activity	Target Date
1	Board	RFP authorization.	Tuesday, August 24, 2021
2	Staff	Public release of RFP.	Thursday, September 9, 2021
3	Proposers	Due date for questions from proposers.	Thursday, September 23, 2021
4	Staff	LACERS responses to questions posted.	Friday, October 8, 2021
5	Proposers	Deadline to submit proposals.	Tuesday, November 9, 2021

6	NEPC & Staff	Review all proposals to determine if they meet minimum qualifications. Report to Investment Committee on total number of proposals received and number of qualified candidates. Evaluate and score proposals of qualified candidates. Create evaluation report and develop a list of proposed semi-finalists.	November – December 2021
7	Investment Committee	Review staff's evaluation report and consider the list of proposed semi-finalist candidates for further due diligence.	January 2022
8	Staff	Conduct due diligence on semifinalists. Develop list of qualifying semi-finalist candidates for further consideration by Investment Committee.	February 2022 – March 2022
9	Investment Committee	Interview qualifying semi-finalist candidates. Select finalist candidates for Board consideration.	April 2022 (tentative)
10	Board	Consider Investment Committee's recommendation for finalist candidates. Award contract(s).	May 2022 (tentative)
11	Staff	Contract negotiations and execution.	June 2022 (tentative)

RFP Advertising and Outreach

Staff and NEPC will publish the RFP in the following print and digital media: LACERS' website, NEPC's website, Pensions & Investments, Emerging Manager Monthly, and other publications and websites targeting emerging managers. Staff will also notify all firms subscribed to the LACERS RFP/RFI Notification Service with the link to the RFP. Additionally, NEPC will screen its investment manager database in order to outreach to potential candidates. Based on a preliminary screen, NEPC's database currently contains 51 investment managers that manage passive strategies, including three Emerging Managers as defined by the LACERS Emerging Investment Manager Policy.

Proposal Evaluation and Semi-finalist Due Diligence

Qualifying proposals will be evaluated and scored by NEPC according to the passive investment manager evaluation criteria established by the Policy (presented below). NEPC, with input from staff, will develop a proposed semi-finalist candidate list for review by the Investment Committee.

<u>Evaluation Criteria</u>	<u>Weighting</u>
Qualitative Assessment	10%
<i>Organization/People</i>	50%
<i>Product AUM</i>	50%
Tracking Error	40%
Expected Fees	50%

Following Investment Committee consideration of the proposed semi-finalist candidates, staff and NEPC will conduct due diligence meetings with each firm to obtain a better understanding of potential investment and organizational risks. Due diligence topics may include, but are not limited to, overall business strategy and growth, organization and reporting structure, staffing and compensation, investment philosophy and strategy, trading, risk management, compliance and controls, and technology. Staff will also conduct reference checks.

Finalist Interviews and Contract Awards

Upon completion of semi-finalist due diligence, staff will invite qualifying semi-finalists for interviews by the Investment Committee. Following the interviews, the Investment Committee will provide the Board with a recommendation for one or more contract awards.

Strategic Impact Statement

The investment manager search for various passive investment strategies 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: Barbara Sandoval, Investment Officer II, Investment Division

NMG/RJ/BF/BS:rm

- Attachments: 1. Proposed Request for Proposal Document
2. Proposal Questionnaire



LACERS

**LA CITY EMPLOYEES'
RETIREMENT SYSTEM**

**PASSIVE U.S., NON-U.S., AND GLOBAL INDEX STRATEGIES
MANDATE SEARCH**

**Initiation: September 9, 2021
Response deadline: November 9, 2021**



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A. INTRODUCTION

The Los Angeles City Employees’ Retirement System (LACERS) administers an investment portfolio with approximately \$23 billion in assets. LACERS is seeking one or more investment managers to manage its current portfolio of passive strategies as well as provide additional passive investment strategy options for possible future investment needs. As of August 1, 2021, LACERS had approximately \$8.8 billion invested in the following passive strategies:

LACERS Index Mandates (as of 8/1/2021)	Assets (as of 8/1/2021)
• S&P 500	\$4,100 million
• Russell 2000	\$358 million
• Russell 2000 Value	\$155 million
• MSCI World ex USA IMI	\$2,200 million
• MSCI EAFE Small Cap	\$340 million
• MSCI Emerging Markets	\$405 million
• Bloomberg Barclays US Aggregate Bond	\$1,200 million

The following table provides the entire set of passive strategies LACERS is seeking services for:

U.S. Equities	Non-U.S. Equities	Core Fixed Income	Real Assets
<ul style="list-style-type: none"> •S&P 500 •Russell 1000 •Russell 1000 Growth •Russell 1000 Value •Russell MidCap •Russell Mid Cap Growth •Russell Mid Cap Value •S&P Mid Cap 400 •S&P Mid Cap 400 Growth •S&P Mid Cap 400 Value •Russell 2000 •Russell 2000 Growth •Russell 2000 Value 	<ul style="list-style-type: none"> •MSCI World ex-U.S. IMI •MSCI World ex-U.S. Growth •MSCI World ex-U.S. Value •MSCI EAFE •MSCI EAFE Growth •MSCI EAFE Value •MSCI EAFE Small Cap •MSCI Emerging Markets •MSCI Emerging Markets Growth •MSCI Emerging Markets Value •MSCI Emerging Markets Small Cap 	<ul style="list-style-type: none"> •Bloomberg Barclays U.S. Aggregate Bond 	<ul style="list-style-type: none"> •Bloomberg Barclays U.S. TIPS •FTSE NAREIT All Equity REIT •Bloomberg Commodity Index •Bloomberg Roll Select Commodity Index



LACERS intends to maintain exposure to the passive strategies currently in its portfolio, but not necessarily to the investment managers currently providing these services. Additionally, LACERS may or may not fund other passive strategies it is seeking services for via this RFP; funding will depend entirely on LACERS' future investment needs. LACERS will consider separately managed and commingled fund strategies.

Emerging Managers (as defined by LACERS' Emerging Investment Manager Policy) are encouraged to participate in this search, subject to LACERS investment policies (including LACERS' Emerging Investment Manager Policy) and any provisions specifically stated in this search document that pertain only to Emerging Managers. LACERS will consider Emerging Manager mandates based on the criteria outlined in this search document.

Existing LACERS managers will be required to submit RFP responses and compete in the RFP process to maintain their current mandates. In the case that an existing LACERS manager is not reselected through the RFP process, the manager's current contract will be subject to termination.

LACERS will retain sole discretion to determine the appropriate number of managers and mandate sizes based on the aggregate pool of non-emerging and emerging manager finalists.

This document details the requirements and instructions for interested firms who meet the minimum qualifications as outlined below.

B. MINIMUM QUALIFICATIONS

A proposing firm ("Proposer") must fulfill **all** of the minimum qualification requirements to LACERS' satisfaction to be given further consideration. The Proposer must complete the *Minimum Qualification Certification (Exhibit 1)* substantiating that the Proposer satisfies all minimum qualifications and requirements. Failure to satisfy each of the minimum qualifications may result in the immediate rejection of the proposal.

1. The Proposer is a registered investment advisor under the Investment Advisors Act of 1940 or possesses a bank exemption.
2. The Proposer must be directly responsible for the management of the account, and all personnel responsible for the account must be employees of the firm or a legal joint venture partner.
3. The Proposer, 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 Proposer must have been in existence for a minimum of one year based on the entity's legal formation documents.



4. The firm must be willing to accept the indices specified in Exhibit 5 - Scope of Services as the mandate benchmarks.
5. The Proposer must have a minimum of \$50 million under management in the proposed product as of June 30, 2021 and at the time of funding, exclusive of LACERS investment, if awarded a contract.
6. The proposed product's assets under management must be of sufficient size such that LACERS' expected mandate size would not comprise more than 50% of the proposed product assets inclusive of LACERS assets at the time of hire. For Emerging Managers, strategy AUM must be of sufficient size that LACERS' expected mandate size would not comprise more than 20% of the proposed product assets inclusive of LACERS assets at the time of hire.
7. The Proposer must have a minimum of five years of verifiable GIPS-compliant performance history actively managing the proposed product for institutional clients. Emerging Managers (as defined by the LACERS Emerging Investment Manager Policy) with a GIPS-compliant track record of less than five years for the proposed strategy may submit this track record and a supplemental track record established at a prior firm when performance can clearly be attributed to the emerging firm's key individuals and/or the specific team associated with the strategy being considered.
8. The Proposer must submit their monthly and quarterly product composite returns and quarterly portfolio characteristics since inception through June 30, 2021 to NEPC's designated product database via eVestment. LACERS staff reserves the right to request more recent returns and portfolio information from candidates subsequent to receiving RFP responses.
9. The composite performance history submitted to eVestment must be actual results (not simulated or back-tested). For existing LACERS investment managers, the actual LACERS track record may be used.
10. The Proposer must carry the following insurance coverage or must have applied for it by contract execution:
 - a. Professional Liability (Errors and Omissions): In the amount of at least \$50 million, with a discovery period of twelve months after completion/termination of this Contract, whichever occurs first.
 - b. General Liability: In the amount of at least \$10 million.
 - c. Fiduciary Liability: In the amount of at least \$10 million.
 - d. Fidelity Bond/Financial Crime: In the amount of at least \$10 million.



- e. Directors & Officers: In the amount of at least \$5 million.
- f. Cyber Risk: In the amount of at least \$1 million per occurrence, and aggregate of \$2 million.

LACERS reserves the right to require a higher insurance coverage, if it deems necessary.

Please see the LACERS' *General Conditions*, No. 33, *Bonding, Insurance and Indemnification* for evidence of insurance coverage requirements.

All minimum qualifications, except for No. 10 – insurance coverage, must be met as of November 9, 2021

C. SCHEDULE

- | | |
|---|------------------------|
| 1. Search Document Available to Prospective Proposers | September 9, 2021 |
| Should a firm need further clarification on the specifications contained in this document, the Proposer may e-mail questions to lacers.invest@lacers.org and LACERSRFPRResponse@NEPC.com . The subject line of the e-mail should show the name of your firm and "2021 Passive Index Strategies Search Questions". Responses to questions will be posted at: lacers.org | |
| 2. Written Questions Submission by e-mail | September 23, 2021 |
| 3. Response to Written Questions posted on LACERS website: | October 8, 2021 |
| 4. Final Date for Proposal Submission | November 9, 2021 |
| 5. Interviews of Finalists | April 2022 (tentative) |
| 6. Contract Start Date | June 2022 (tentative) |

D. PROPOSAL EVALUATION

All proposals meeting the minimum qualifications will be evaluated according to the process and criteria established by the LACERS Manager Search and Selection Policy. Qualified proposals will be scored and ranked to develop a list of semi-finalist candidates for further consideration.

<u>Proposal Evaluation Criteria</u>	<u>Weighting</u>
Qualitative Assessment	10%
<i>Organization/People</i>	50%
<i>Product AUM</i>	50%
Tracking Error	40%
Expected Fees	50%

Due diligence meetings will be conducted with approved semi-finalist candidates firms. Due diligence meeting topics may include, but are not limited to, overall business strategy and



growth, organization and reporting structure, staffing and compensation, investment philosophy and strategy, trading, risk management, compliance and controls, and technology. Reference checks will also be conducted.

Upon completion of satisfactory due diligence, suitable semi-finalist candidates will be invited for interviews with the LACERS Investment Committee. Following the interviews, the Investment Committee will provide the Board with a recommendation for contract award(s).

For further details about the evaluation and selection process, please review the LACERS Manager Search and Selection Policy located on LACERS' website at:

https://www.lacers.org/sites/main/files/file-attachments/lacers_board_manual.pdf?1627588543

E. SUBMISSION REQUIREMENTS

1. **Response Format.** To be eligible for evaluation, a proposal must adhere strictly to the format set forth below. Failure to do so may result in disqualification. Proposers must address each of the required sections indicated below. Completeness, clarity and brevity are stressed in the responses. All forms provided in this response must be completely filled out. If a question does not apply to you, please write in "not applicable" and then state the reason why the question does not apply to your firm.

The content and sequence of the proposal will be as follows:

<u>Section</u>	<u>Title</u>
I	Cover Page
II	Table of Contents
III	Letter of Transmittal
IV	Required Documents

- I. Cover Page
Title for cover page: "Passive U.S., Non-U.S., and Global Index Strategies Mandate Search".
- II. Table of Contents
Immediately following the cover page, there must be a comprehensive Table of Contents of the material included in the proposal. The Table of Contents must clearly identify the proposal section/subsection and the applicable page numbers.
- III. Letter of Transmittal
A letter of transmittal must accompany all responses and be placed as the first page of this search document. The letter of transmittal must further state that the response to this search is valid for six (6) months subsequent to the proposal due date. The letter of transmittal MUST:



1. Identify the search as “Passive U.S., Non-U.S., and Global Index Strategies Mandate Search”;
2. Identify the submitting organization;
3. Identify the name and title of the person authorized by the organization to contractually obligate the organization;
4. Identify the names, titles, telephone and fax numbers, and e-mail addresses of persons to be contacted for clarification;
5. Certify that your firm has fully complied with all provisions of this document and that all statements are true and accurate, and that the firm has not knowingly made any false or misleading statements in its proposal; Emerging managers must certify that their firm qualifies as an Emerging Manager pursuant to the Minimum Qualifications listed in Section B.
6. Be signed by a person authorized to contractually obligate the organization.

IV. Required Documents

1. Minimum Qualification Certification (*see Exhibit 1*)
2. Fee Proposal (*see Exhibit 2*)
3. Clients and References (*see Exhibit 3*)
4. Standards of Conduct (*see Exhibit 4*)
5. Scope of Services (*see Exhibit 5*)
6. Questionnaire (*see Exhibit 6*)
7. Compliance Forms (*see Exhibit 7 – General Conditions and Compliance*)

As instructed in Exhibit 7 – General Conditions and Compliance, **do not include the completed Organizational Diversity Survey (ODS) as part of the RFP response.** The completed ODS must be separately uploaded to the following link:

2. Responses including all Required Documents must be e-mailed to lacers.invest@lacers.org and LACERSRFPResponse@NEPC.com no later than **November 9, 2021 – 4:00 P.M. Pacific Time.**



F. EXHIBITS

EXHIBIT 1 MINIMUM QUALIFICATION CERTIFICATION

Firm Name & Proposed Product: _____

The Proposer warrants that it will meet **all** of the Minimum Qualifications, except for No. 10 – insurance coverage, presented in Section B by November 9, 2021 – 4:00 P.M. Pacific Time.

If submitting proposal as an Emerging Manager according to the LACERS' definition pursuant to the LACERS Emerging Investment Manager Policy, the Proposer certifies that the firm meets this definition.

Check this box if Proposer is submitting as an Emerging Manager.

Authorized Signature

Print Name

Title

Date



EXHIBIT 2
FEE PROPOSAL

Firm Name & Proposed Products:

Provide your firm’s proposed fee schedule for each of the index mandates you are bidding to provide to LACERS. If your fee proposal is dependent on a certain amount of assets in the strategy or across multiple index strategies, please indicate. If proposing more than one index product, please provide a fee schedule for each individual index fund. For reference, below is a list of LACERS current index fund mandates and market values.

LACERS Index Mandates (as of 8/1/2021)	Assets (as of 8/1/2021)
S&P 500	\$4.1 billion
Russell 2000	\$358 million
Russell 2000 Value	\$155 million
MSCI World ex USA IMI	\$2.2 billion
MSCI EAFE Small Cap	\$340 million
MSCI Emerging Markets	\$405 million
Bloomberg Barclays US Aggregate Bond	\$1.2 billion

Asset Based Fee:

	(A) Mandate Size \$USD	(B) Fee on Mandate (BPs)	(C) Fee \$USD (A)*(B)
Fee Tier 1			
Fee Tier 2			
Fee Tier 3			
Fee Tier 4			
Fee Tier 5			
Fee Tier 6			

Total Mandate Size	
Total Fee (\$USD)	
Total Fee (BPs)	

Emerging Managers should also submit a fee proposal based on no more than a mandate size of 20% of the product AUM as of June 30, 2021. LACERS reserves the right to allocate less than 20% of any managers’ product.



EXHIBIT 3
CLIENTS AND REFERENCES

A. Provide references of five largest public pension plan clients (by portfolio asset size) using the format below. Please secure advanced permission to contact at least three of these references. If there are fewer than three references, then include all.

Client Name	Mandate	Relationship since (month/year)	AUM (US\$ million)	Contact Name	Title	Telephone#	E-mail
1.							
2.							
3.							
4.							
5.							

B. Provide a list of all accounts that have been lost from your proposed index products within the last five years using the format below:

Client Name	Mandate	Size of Fund (US\$ million)	Reason(s) for Termination
1.			
2.			
3.			
4.			
5.			



EXHIBIT 4
STANDARDS OF CONDUCT

STANDARDS OF CONDUCT

1. a. Disclose any financial or other relationship you have or have had with any LACERS Board member, consultant, or LACERS employees. If there are no conflicts of interest, please state, "There are no conflicts of interest to report."
- b. Disclose any gifts (meals, tickets, anything of value over \$50, etc.) that you have given to any LACERS Board member, consultant, or LACERS employee in the last 12 months using the format below:

No.	Date (mm/dd/yy)	Given to	Description of Gifts ¹	Value (US\$)

¹ Gifts could be in the form of meals, tickets, paid travel, anything of value over \$50, etc.

2. Do you have any written policies or procedures to address conflicts of interest? If so, please provide as part of this exhibit.
3. What potential conflicts of interest are posed by other activities undertaken by the organization, if any? How are these addressed?
4. For the past 10 years has the firm, its officers or principals or any affiliate ever:
 - a. been the focus of a non-routine Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigation from any similar federal, state or self-regulatory body or organization,
 - b. been a party to or settled any litigation concerning breach of fiduciary responsibility or other investment related matters, or
 - c. submitted a claim to your errors & omission, fiduciary liability and/or fidelity bond insurance carrier(s)?

If 'yes' to any, please provide details and the current status or disposition.
5. Has the firm adopted the CFA Code of Ethics and Standards of Professional Conduct? Does the firm have a written code of conduct or set of standards for professional behavior? If so, how is employee compliance monitored?



EXHIBIT 5
SCOPE OF SERVICES

Firm Name & Proposed Product: _____

LACERS seeks one or more investment managers that can provide passive strategies benchmarked to one or more of the indices listed in the following table. This comprehensive list of strategies would provide LACERS with passive options across most public markets asset classes.

U.S. Equities	Non-U.S. Equities	Core Fixed Income	Real Assets
<ul style="list-style-type: none"> • S&P 500 • Russell 1000 • Russell 1000 Growth • Russell 1000 Value • Russell MidCap • Russell Mid Cap Growth • Russell Mid Cap Value • S&P Mid Cap 400 • S&P Mid Cap 400 Growth • S&P Mid Cap 400 Value • Russell 2000 • Russell 2000 Growth • Russell 2000 Value 	<ul style="list-style-type: none"> • MSCI World ex-U.S. IMI • MSCI World ex-U.S. Growth • MSCI World ex-U.S. Value • MSCI EAFE • MSCI EAFE Growth • MSCI EAFE Value • MSCI EAFE Small Cap • MSCI Emerging Markets • MSCI Emerging Markets Growth • MSCI Emerging Markets Value • MSCI Emerging Markets Small Cap 	<ul style="list-style-type: none"> • Bloomberg Barclays U.S. Aggregate Bond 	<ul style="list-style-type: none"> • Bloomberg Barclays U.S. TIPS • FTSE NAREIT All Equity REIT • Bloomberg Commodity Index • Bloomberg Roll Select Commodity Index

LACERS will consider separately managed and commingled fund strategies. LACERS may not fund all of the passive strategies it is seeking services for; funding will depend on LACERS' current and future investment needs.

LACERS will retain sole discretion to determine the appropriate number of managers and mandate sizes based on the aggregate pool of non-emerging and emerging manager finalists.

The selected firms will be expected to comply with LACERS' Investment Policy and investment-related policies, which can be found at:

https://www.lacers.org/sites/main/files/file-attachments/lacers_board_manual.pdf?1614708496

The selected firms will also be expected to comply with the City of Los Angeles' Standard Provisions for City Contracts (Appendix B).



EXHIBIT 6
QUESTIONNAIRE

Firm Name & Proposed Product: _____

Please complete the NEPC Questionnaire (*see separate document, Exhibit 6. NEPC Passive U.S., Non-U.S., and Global Index Strategies Questionnaire*) and submit as part of this search as Exhibit 6.



EXHIBIT 7 **GENERAL CONDITIONS AND COMPLIANCE**

All Proposers are to review the following documents:

1. Appendix A - General Conditions
 - Attachment 1 - Confidentiality & Non-Disclosure of Member Information
 - Attachment 2 - RFP Warranty/Affidavit
 - Attachment 3 - Marketing Cessation Policy
 - Attachment 4 - Marketing Cessation Proposer Disclosure Form
 - Attachment 5 - Bidder Certification – City Ethics Commission Form 50
 - Attachment 6 - Bidder Certification – City Ethics Commission Form 55
 - Attachment 7 - Form 700 Filers
2. Appendix B - Standard Provisions for City Contracts
3. Appendix C - Additional Forms
 - Attachment 1 – Sexual Harassment Policy Disclosure Form
 - Attachment 2 – Gender Equity Disclosure Form
 - Attachment 3 – Organizational Diversity Survey (ODS)

Please refer to the LACERS Emerging Investment Manager Policy within the LACERS Investment Policy Manual for further details regarding the ODS. The policy is located on LACERS website at:

https://www.lacers.org/sites/main/files/file-attachments/lacers_board_manual.pdf?1627588543

4. Appendix D – Sample of LACERS Investment Management Agreement

All Proposers are to complete the following forms and include as Exhibit 7 of your response:

1. Warranty/Affidavit (Appendix A, Attachment 2). The document must be signed and notarized.
2. Proposer Disclosure Form (Appendix A, Attachment 4).
3. Bidder Certification – City Ethics Commission Form 50 (Appendix A, Attachment 5). Please leave BAVN number section blank.
4. Bidder Certification – City Ethics Commission Form 55 (Appendix A, Attachment 6). Please leave BAVN number section blank.
5. Sexual Harassment Policy Disclosure Form (Appendix C, Attachment 1).
6. Gender Equity Disclosure Form (Appendix C, Attachment 2).



Additionally, all proposers are requested to complete an Organization Diversity Survey (ODS). **Do not include the completed ODS form as part of Exhibit 7 of your RFP response.** Pursuant to the LACERS Emerging Investment Manager Policy, completed ODS forms are to be submitted separately to: (*add link to Box*)

FAILURE TO COMPLY WITH THE INSTRUCTIONS FOR COMPLETING AND SUBMITTING THE ABOVE DOCUMENTS MAY DEEM YOUR PROPOSAL AS NON-RESPONSIVE AND REMOVE YOUR PROPOSAL FROM FURTHER CONSIDERATION.

NEPC Research Multi Passive Index Investment Management Services

[Investment Firm Name]

Information requested as of 6/30/2021

Instructions:

Please return this questionnaire in Word format (i.e. not in pdf).

Please do not alter the format of this template.

Please do not change or modify text in Green or Blue shaded boxes.

Please provide answers white boxes only.

Please provide any legal disclaimers as a separate attachment (i.e. do not include as part of this document).

eVestment Data

In addition to the Offeror’s responses to the questions that follow, a third-party database will be used to evaluate the Offeror’s product and performance data. The database is provided by eVestment, which can be located on the web at: www.eVestment.com. Populating the eVestment database with your firm and product information is the preferred method of receiving performance data for this RFP. Please make sure all fields are up to date. You will not be contacted to fill in missing fields. Use additional comment fields provided to make qualifying notes as applicable. If your firm does not already utilize the eVestment Alliance, you can participate by sending an email with your contact information to: getmanager@evestmentalliance.com. If you elect to not use eVestment for this RFP, please make sure to indicate that below and provide your monthly performance returns in an excel spreadsheet. Additional instructions for how to submit performance returns is provided under the Attachments section of this questionnaire.

All eVestment data must be as of June 30, 2021

General Firm and AUM Information					
Product Name in eVestment	[List all products you are proposing for this search. If a product is not listed in eVestment, please indicate and describe why.]				
Firm Name	[Please enter]				
Website	[Please enter]				
Office Locations	City	State / Province	Country	Number of Employees	Year Founded
Main Office	[Please enter]	[Please enter]	[Please enter]	[Please enter]	[Please enter]
Servicing Office(s)	[Please enter]	[Please enter]	[Please enter]	[Please enter]	[Please enter]
	[Please enter]	[Please enter]	[Please enter]	[Please enter]	[Please enter]
Year Firm was Founded	[Please add. If the Firm is less than five years old, please include the month and year the firm was founded.]				
Firm History / Description	[Please describe the Firm’s origins, evolution and current structure. Please list any predecessor organizations or ownership or subsidiary relationships with other organizations.]				
Ownership Structure	[Please describe the Firm’s ownership structure. Provide a percentage breakout of any voting and non-voting equity stakes. Describe any affiliate relationships and any expected changes in ownership.]				
Firm Assets Under Management	[Please provide the value of total assets under management for the Firm as of 6/30/2021.]				
Investment Strategy Assets Under Management	[Please add the value of the proposed investment strategies assets as of 6/30/2021. This number should include investments made in separately managed accounts or other commingled funds for each investment strategy proposed. Please break out AUM by vehicle type (commingled, SMA, mutual funds, etc.)]				
Client Base	[Please break out the Firm’s client base by type (e.g., Pensions, Endowments, Fund of Funds, High Net Worth, Retail, etc.)]				
Insurance	[Describe the firm’s insurance coverage outlining types and coverage limits. List SEC-required fidelity bonds, errors and omissions insurance, and any other fiduciary liability coverage your firm carries.]				
Technology	[Describe the firm’s technology infrastructure and integration across investment management, accounting, risk management, performance measurement and reporting. Has your firm been subject to any data breaches resulting from illegal or unknown sources accessing the firm’s information systems? Describe the firm’s disaster recovery strategy; outlining the firm’s strategy around natural disasters and other events that would cause your systems to shut down.]				
Performance	[Describe the methodology used to calculate performance history in the materials your firm has provided. Is performance GIPS compliant (please attach the most recent GIPS certification). If not compliant please provide a reason for non-compliance. Does any part of the composite history include results of a past firm or affiliation? If so, provide a reason for inclusion. What percentage of total				

	product assets is included in the composite? Were any accounts managed to the benchmark excluded from the composite? If so, why?]
Audit	[Provide the date of the firm’s last third-party audit across the firm. Have you changed auditors in the past three years?]

Product Offerings									
Passive Product List		Please complete the following table that outlines your all of your passive management product offerings (add rows when necessary) you are including in this proposal. Are all products currently offered in SMA format? If not, which ones are currently offered in an SMA format?							
eVestment Product Name	Index	6/30/2021 AUM	Strategy Inception Date	Proposed Investment Fee	Proposed Index Licensing Fee	List All Other Expenses Passed through to Investor	Securities Lending Availability and Revenue Split	Vehicle Offered	Liquidity
Product Closings		[Have you closed any passive funds/strategies since 2010? If so, why?]							

Investment Process and Trading	
Portfolio Construction	[Provide a detailed description of the portfolio construction processes that would be implemented across different index strategies/asset classes. For example, do you utilize a full replication strategy for all products or sampling or other?]
Tracking Error	[How do you approach the potential tradeoff between tracking error and trading costs to track a relevant index or target portfolio? What are your expectations for tracking error versus the reference benchmark index?]
Fees/Costs	[Please describe all fees and costs associated with managing each of the proposed index mandates. How much do these items impact the tracking error of the portfolio? What sorts of activity does your firm engage in to mitigate fees and costs?]
Index Reconstitution	[What is your strategy for index reconstitutions? How do you track costs (including implied costs)? How do you manage trading around the reconstitution? Do you apply the same strategy for all types of index reconstitutions or does it ever vary based on the particular reconstitution make up or asset type? What are your typical commission rates for the index reconstitutions?]
Investment Systems	[Describe the use of computer software and/or quantitative tools that are utilized in the investment process (e.g., statistical/portfolio research, portfolio construction, risk models, performance attribution models etc.) across the various strategies/products.]
Measurement of Success	[How do you measure success of your passive product/strategy offerings?]
Equitization Program	[Please describe your process for dealing with cash flows, dividend/income payments and corporate actions.]
Cash Flow	[Outline the cash flow notification requirements for domestic equity, international equity and fixed income cash flows? Does your firm offer solutions for reducing costs related subscriptions or redemptions? If so, please outline the solutions.]
Brokerage	<p>[1. Does the firm have any broker/dealer affiliations? If yes, please describe the relationship between the firm and its broker/dealer and whether the firm would utilize its services for this mandate.</p> <p>2. What is the firm’s policy regarding the use of soft dollars? Please provide the absolute level of soft dollars generated and the percentage of commissions this represented over each of the last five years.]</p>

	3. Does the firm track broker best execution? If so, how is this tracking performed? Can you provide a recent Trading Cost Analysis (TCA) report for the portfolio?
--	---

Risk Management	
Risk Management Overview	[Please provide a brief overview of the Firm’s risk management procedures and philosophy on taking risks outlining the mechanisms/system outputs that aid in taking and managing risk. How does the manager assess risk? What are acceptable risks vs. unacceptable risks? How are portfolios monitored for risk? Who is responsible for monitoring portfolio risk? Who does s/he report to? Is there a risk committee? Who comprises the committee? How often does the committee meet? What is the voting process? What occurs if there is a breach in risk guidelines? Please discuss any relevant items not captured in the questions below.]
Risk & Investment Process	[Describe the Firm’s risk management structure and outline the vision for how the risk management function is incorporated in the investment process. Does the risk function operate independently of the investment team?]
Tools and Analysis	[Please describe as it pertains to your “Passive” strategies: a. What analytical tools and models do you use? b. Internal research resources c. External research resources and tools utilized

Team	
Team Overview	[Please provide an overview of the passive management team(s). How many investment professionals are involved with the portfolios? Where are they located? How long have the teams worked together? Are any of the senior professionals related? Do they also manage non-passive strategies? Please discuss any relevant items not captured in the questions below.]
Trading/Execution Discretion	[Please discuss who on the investment team has trading discretion? Who has execution discretion? Please provide where these employees are located. Discuss how execution discretion is determined.]
Succession Planning	[Please discuss any thoughts around the Firm’s and product’s succession planning. Who are the most qualified individuals to lead the team(s) in the absence of the senior portfolio manager/CIO?]

Firm (Asset management division only) and Product Employee Breakdown		
Summary	Dedicated Firm Employees	Dedicated “Passive Management” Employees*
Total Employees	[Please Enter #]	[Please Enter #]
Employee Breakdown by Title/Function		
Partners/Owners	[Please Enter #]	[Please Enter #]
Investment Professionals	[Please Enter #]	[Please Enter #]
Portfolio Management	[Please Enter #]	[Please Enter #]
Research	[Please Enter #]	[Please Enter #]
Trading	[Please Enter #]	[Please Enter #]
Risk Management	[Please Enter #]	[Please Enter #]
Administration (Non-Investment)	[Please Enter #]	[Please Enter #]

Litigation, Regulation and Compliance (Asset Management Unit Only)		
Past Material Firm Litigation	[Please describe any past material litigation regarding the firm over the past 10 years.]	
Current Material Firm Litigation	[Please describe any current material litigation regarding the firm.]	
Investment Professionals	[Have any investment professionals at your Firm ever been subject to any investment-related judgments, indictments, or settlements of potential litigation with or without admission of fault, guilt or liability? If yes, explain.]	
Compliance	[Please describe the Firm’s compliance philosophy and staff allocated to this function, e.g. how many and which staff resources are assigned to this function, what are their roles and responsibilities? What are the key compliance procedures? Do you have a policy with regard to ethics, personal securities (if so, outline)? Detail the pre and post trade compliance monitoring process.]	
Harassment	[Does your firm have a sexual harassment policy? Please provide the current status or disposition regarding disclosures on past, present or future litigations.]	
Systems	[Detail the systems used to ensure best practices, compliance rules, regulations and laws are followed. Was this system developed in-house or is it administered by a vendor. Detail the level of automation in the compliance system. How frequently are these compliance processes checked against current best practices?]	
SEC Registered Investment Advisor	Year Registered	[Please enter]
	Entity Name	[Please enter]
	ADV Attached	[Please attach Part I and II]
SEC Oversight	[Please describe the Firm’s most recent examination by the SEC. When was the date of the most recent SEC examination? What were the key findings? Were there any deficiencies noted and what was done to remediate them?]	
Other Regulators	[Please describe other regulatory authorities to which the Firm is subject. Has the Firm ever been subject to reviews or audits by these other regulatory bodies? What were the key findings?]	
Personal Trading	[Please discuss the Firm’s personal trading policy. Who is responsible for monitoring? Who does s/he report to? Discuss any material violations to the Firm’s trading policy.]	
Investigations, Litigation, Claims	[For the past 10 years has the firm, its officers or principals or any affiliate ever: <ul style="list-style-type: none"> a. Been the focus of a non-routine SEC inquiry or investigation or a similar inquiry or investigation from any similar federal, state or self-regulatory body or organization, b. Been a party to or settled any litigation concerning breach of fiduciary responsibility or other investment related matters, or c. Submitted a claim to your errors & omission, fiduciary liability and/or fidelity bond insurance carrier(s)? If “yes” to any, please provide details and the current status or disposition.]	

Environmental, Social & Governance (ESG) Disclosures		
ESG Analysis	[Does the Firm integrate analysis of financially material environmental, social and governance issues into its investment process? Please enter “Yes” or “no”]	
ESG Risk Assessment	[If so, please describe the Firm’s approach to assessing ESG risks and opportunities.]	
ESG Integration	[How does your firm incorporate Environmental, Social, and Governance (ESG) approaches into the investment process?]	
Principles for Responsible Investment (PRI)	Signatory	[Please enter “Yes” or “no”]
	Year Signed	[Please enter]
	ESG Policy Attached	[Please enter “Yes” or “no”]
PRI Reporting Framework	[Is your firm a signatory to the Principles for Responsible Investment (PRI)? [Does your Firm generate a Responsible Investing (RI) Transparency Report? An RI Activity Report? Please enter “Yes” or “no”]	
Socially Responsible Investing Vehicles and Share Classes	[Does the Firm offer any Socially Responsible Investing vehicles or share classes?]	

Standard of Conduct																					
Conflicts	[Disclose any financial or other relationship you have or have had with any LACERS Board member, consultant, or LACERS employees. If there are no conflicts of interest, please state, "There are no conflicts of interest to report."]																				
Disclosure	<p>[Disclose any gifts (meals, tickets, anything of value over \$50, etc.) that you have given to any LACERS Board member, consultant, or LACERS employee in the last 12 months using the format below:]</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>No.</th> <th>Date (mm/dd/yy)</th> <th>Given to</th> <th>Description of Gifts ¹</th> <th>Value (US\$)</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table> <p>¹ Gifts could be in the form of meals, tickets, paid travel, anything of value over \$50, etc.</p>	No.	Date (mm/dd/yy)	Given to	Description of Gifts ¹	Value (US\$)															
No.	Date (mm/dd/yy)	Given to	Description of Gifts ¹	Value (US\$)																	
Policies	[Do you have any written policies or procedures to address conflicts of interest? If so, please provide as Exhibit 6.]																				
Potential Conflicts	[What potential conflicts of interest are posed by other activities undertaken by the organization, if any? How are these addressed?]																				
Code of Conduct	[Has the firm adopted the CFA Code of Ethics and Standards of Professional Conduct?]																				
Standards of Conduct	[Does the firm have a written code of conduct or set of standards for professional behavior? If so, how is employee compliance monitored?]																				
Firm / Product References																					
[Please provide references. Note: All references must have exposure to at least one of the passive products proposed.]																					
Reference 1	Name	[Please enter]																			
	Relationship to Firm	[Please enter]																			
	Firm / Title	[Please enter]																			
	Business Address	[Please enter]																			
	Business Telephone	[Please enter]																			
	Business Email	[Please enter]																			
Reference 2	Name	[Please enter]																			
	Relationship to Firm	[Please enter]																			
	Firm / Title	[Please enter]																			
	Business Address	[Please enter]																			
	Business Telephone	[Please enter]																			
	Business Email	[Please enter]																			
Reference 3	Name	[Please enter]																			
	Relationship to Firm	[Please enter]																			
	Firm / Title	[Please enter]																			
	Business Address	[Please enter]																			
	Business Telephone	[Please enter]																			
	Business Email	[Please enter]																			
Reference 4	Name	[Please enter]																			
	Relationship to Firm	[Please enter]																			
	Firm / Title	[Please enter]																			
	Business Address	[Please enter]																			
	Business Telephone	[Please enter]																			

	Business Email	[Please enter]
Reference 5	Name	[Please enter]
	Relationship to Firm	[Please enter]
	Firm / Title	[Please enter]
	Business Address	[Please enter]
	Business Telephone	[Please enter]
	Business Email	[Please enter]

Firm / Product Key Contacts		
Primary Product Contact	Name	[Please enter]
	Title	[Please enter]
	Business Address	[Please enter]
	Business Telephone	[Please enter]
	Business Email	[Please enter]
Fund Placement Agent / 3 rd Party Marketer / Consultant Contact	Name	[Please enter]
	Title	[Please enter]
	Firm	[Please enter]
	Business Address	[Please enter]
	Business Telephone	[Please enter]
	Business Email	[Please enter]

Attachments	
Attachment 1 - Historical Performance	We prefer that the proposed product(s) investment performance is uploaded into eVestment. Should the proposed product's track record not be in eVestment, please attach monthly gross of fee and net of fee returns since inception indicating the month and returns along with the applicable fee.
Attachment 2 - Historical AUM	Please provide an EXCEL spreadsheet detailing historical assets under management for the Firm. Please break out this data in two aspects: <ol style="list-style-type: none"> 1. by vehicle type Commingled Funds/SMAs; 2. by strategy related/non-strategy related. You may provide graphical analysis if helpful, but MUST provide any underlying source data to support graphical representation (provide the data for the chart).
Attachment 3 - Detailed Biographies	Please provide a word document with the detailed biographies of the key professionals listed above in the section: Detailed Summary of Key Professionals and their roles and how they interact with the team in the investment process.



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

MEETING: AUGUST 24, 2021
ITEM: X - C

Neil M. Guglielmo

SUBJECT: REAL ESTATE CONSULTANT REQUEST FOR PROPOSAL AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

1. Approve the proposed draft for the Real Estate Consultant Request for Proposal (RFP), substantially in the form attached hereto, and the process for evaluating candidates;
2. Authorize the General Manager to advertise the RFP in various print and digital media, as presented in this report.

Executive Summary

LACERS has maintained a long-term relationship with The Townsend Group (Townsend) for real estate consulting services. Consistent with LACERS' contracting practices, staff recommends that the Board conduct a search to evaluate the current marketplace for real estate consulting services.

Discussion

Background

The Board hired Townsend through a competitive RFP process launched in 2013 to serve as LACERS' Real Estate Consultant under a three-year contract effective April 1, 2014 through March 31, 2017. The Board subsequently approved a five-year contract extension on November 15, 2016, as Townsend had met its contractual obligations and annual real estate strategic plan objectives; the current contract expires on March 31, 2022. LACERS has not conducted a real estate consultant search since 2013; therefore, staff recommends conducting a competitive bidding process to test the marketplace of real estate consultants, consistent with LACERS' contracting practices.

Proposed Candidate Evaluation Process – Board, Investment Committee, and Staff Roles

The role of the Board, Investment Committee, and staff in the real estate consultant search process are outlined below:

Board:

- Interview, evaluate, and select a real estate consultant from the list of finalist candidates.

Investment Committee:

- Consider and approve staff's list of semifinalist candidates.
- Interview qualifying semifinalist candidates.
- Select finalist candidates for Board interview.

Staff:

- Evaluate and score all candidates that meet the minimum qualifications. Evaluation and scoring will be based on the criteria set forth in the RFP.
- Provide the Investment Committee with an evaluation report and list of the semifinalist candidates.
- Conduct due diligence on all semifinalist candidates and evaluate them.
- Develop a list of finalist candidates based on due diligence findings.

RFP and Proposed Timeline of Events

Attached is a proposed RFP for the Board's consideration. Consistent with the anticipated RFP timeline, staff expects that the search process will be completed in approximately eight months, plus an approximate one-month contracting period, as presented below:

Step	Responsibility	Activity	Target Date
1	Board	Real estate consultant RFP authorization.	Tuesday, August 24, 2021
2	Staff	Public release of RFP.	Wednesday, September 8, 2021
3	Proposers	Due date for questions from proposers.	Monday, September 20, 2021
4	Staff	LACERS responses to questions posted.	Monday, September 27, 2021
5	Proposers	Deadline to submit proposals.	Monday, November 8, 2021
6	Staff	Review all proposals and dismiss candidates that do not meet the minimum qualifications. Report to Investment Committee on total number of proposals received and number of qualified candidates. Score proposals of qualified candidates. Create evaluation report and develop a list not to exceed four semifinalist candidates.	December 2021
7	Investment Committee	Review staff's evaluation report and consider the list of semifinalist candidates for further due diligence.	January 2022

8	Staff	Conduct due diligence on semifinalists. Develop a list of no less than two qualifying semifinalist candidates for further consideration by Investment Committee.	January 2022 – February 2022
9	Investment Committee	Interview qualifying semifinalist candidates. Select finalist candidates for Board interview.	March 2022 (tentative)
10	Board	Interview and evaluate finalist candidates. Award contract.	March 2022 – April 2022 (tentative)
11	Staff	Contract negotiations and execution.	April 2022 – May 2022 (tentative)

Townsend will be required to submit a proposal and compete in the RFP process to maintain its mandate.

Strategic Plan Impact Statement

The real estate consultant assists LACERS in building a diversified private real estate portfolio to help the fund achieve a satisfactory long-term risk adjusted return (Goal IV). Implementing a competitive bidding process by issuing a Request of Proposal (RFP) is in line with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

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

NMG/RJ/BF/WL/EP:rm

Attachment: Proposed Real Estate Consultant Request for Proposal



LACERS

**LA CITY EMPLOYEES'
RETIREMENT SYSTEM**

**REAL ESTATE CONSULTANT
REQUEST FOR PROPOSAL**

**INITIATION: SEPTEMBER 8, 2021
RESPONSE DEADLINE: NOVEMBER 8, 2021**



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A. INTRODUCTION

The Los Angeles City Employees’ Retirement System (LACERS) is seeking proposals from qualified organizations to provide **full service, non-discretionary** real estate consulting services. This Request for Proposal (RFP) details the services sought and instructs interested proposers on the application and selection process. All firms meeting the minimum qualifications outlined in Section D of this RFP are invited to respond. LACERS intends to award a five-year full retainer contract to one firm that best meet LACERS’ needs. However, LACERS reserves the rights to contract with additional firm(s) when it deems necessary.

For the purposes of this RFP, the term “real estate” primarily refers to private real estate investments for various strategies (core, value opportunistic, timber, and infrastructure) and for various property types and sizes, both domestic and international, but may also include policy development and implementation advice on recommendations on domestic and international infrastructure.

B. BACKGROUND

LACERS is a defined benefit public retirement system established by City Charter in 1937 to provide a retirement benefits to the civilian employees of the City of Los Angeles. Currently LACERS provides services to over 27,000 active employees and provides benefits to over 20,000 retirees and their beneficiaries. LACERS is governed by the Board of Administration (“Board”), which consists of seven commissioners - four appointed by the Mayor of Los Angeles and three elected by active and retired members of LACERS.

As of June 30, 2021, LACERS total investment portfolio was valued at \$22.5 billion with target allocations as follows:

Asset Class	Target
U.S. Equity	21.00%
Non-U.S. Equity	26.00%
Core Fixed Income	11.25%
Credit Opportunities	12.75%
Private Equity	16.00%
Real Assets	12.00%
<i>Private Real Estate</i>	7.00%
<i>Publicly Traded Real Assets</i>	5.00%
Cash	1.00%

As of December 31, 2020, LACERS’ real estate portfolio had a market value of \$777 million and unfunded commitments of \$274 million.

LACERS’ real estate portfolio is made up of core funds (core and core plus) and non-core funds (value-add and opportunistic).

A snapshot of LACERS aggregate real estate portfolio is provided in the table below:



Aggregate Real Estate Portfolio Snapshot As of December 31, 2020 (US\$ millions)			
	Core	Non-Core	Aggregate
Active Partnerships	43	7	50
Active General Partner Relationships	27	7	34
Capital Committed	\$1,099	\$90	\$1,189
Unfunded Commitment	\$150	\$124	\$274
Portfolio Market Value	\$579	\$198	\$777
Equity Multiple	1.49	1.16	1.27
Net IRR Since Inception	6.9%	6.1%	5.7%

LACERS' aggregate real estate portfolio is diversified by strategy and property type as follows:

Strategy	Exposure*
Core	55%
Value	24%
Opportunistic	21%**

Property Type	Diversification
Office	23%
Industrial	27%
Retail	17%
Residential	17%
Hotel	1%
Healthcare	3%
Land	1%
Timber	2%
Other	9%

*Exposure is defined as market value plus unfunded commitments.

**Includes 2% timber exposure

For further information, LACERS Real Estate Performance Reports can be accessed online at: <https://www.lacers.org/performance-reports>

C. SCOPE OF SERVICES

The firm selected as a result of this RFP will be responsible for managing and monitoring LACERS aggregate real estate portfolio. The services to be provided by the firm shall include, but not be limited to, the following:



1. GENERAL

- 1.1. Assist the Board and Staff in the development of an appropriately structured real estate investment program, including the establishment of investment objectives, strategies, risk management, and performance/benchmark standards. Provide recommendations and submit an annual plan on how your firm will help LACERS achieve its Emerging Manager real estate commitment and exposure goals. Services may also include providing advice on domestic and international infrastructure.
- 1.2. Develop and/or review the Board's real estate investments policies, Emerging Investment Manager Policy, guidelines, and strategic investment plan on an annual basis and make recommendations for modifications, as necessary.
- 1.3. Provide investment research and publications on real estate market conditions and opportunities.
- 1.4. Provide educational and/or training sessions on real estate and infrastructure investing to the Board and staff as requested.
- 1.5. Expected to attend regularly scheduled Board and Investment Committee meetings and other meetings as requested by the Board and/or staff at the Consultant's expense.
- 1.6. Present the performance of the real estate investment program to the Board (currently on a semi-annual basis) as soon as practicable for the second quarter and the fourth quarter of each calendar year. The Board retains the rights to change the frequency of performance reporting.
- 1.7. Available at anytime to answer ad-hoc questions, either by phone or by email.
- 1.8. Conduct special projects or other activities as requested by the Board and/or staff.
- 1.9. Coordinate and communicate with the broader LACERS organization and other LACERS consultants and advisors as appropriate to ensure effective administration of the real estate investment program.
- 1.10. Provide periodic ad-hoc research and analysis pertaining to LACERS headquarters.

2. INVESTMENT SOURCING AND SELECTION

- 2.1. Develop a structured, on-going process to screen the global universe of available real estate investments in the U.S. and non-U.S. (for both open and closed end real estate investment funds) and identify those opportunities which are consistent with LACERS' real estate policy and real estate strategic investment plan; provide monthly reports to LACERS staff summarizing screening activity.
- 2.2. Evaluate prospective investments, including those that may be sourced by staff. If appropriate, engage in comprehensive due diligence that may include general



partner site visits and background and reference checking. Consultant will utilize the manager search procedure approved in the real estate policy.

- 2.3. Present investment recommendation reports to the Investment Committee, Board, and staff. Reports shall include, but not be limited to, full results of the Consultant's comprehensive due diligence, strategic considerations, partnership reviews, commitment amount, fees, and how the investments complement and/or fit into the overall real estate portfolio.
- 2.4. Provide assistance to staff and the Board's legal counsel to negotiate, in the best interests of LACERS, relevant fees and investment terms. The Board acknowledges that the Consultant is not providing any legal advice or consultation; the Board shall look solely to its legal counsel for such advice or consultation.

3. PORTFOLIO MANAGEMENT AND PERFORMANCE MEASUREMENT

- 3.1. Provide on-going monitoring and regular updates/assessments of relevant operational and/or strategic changes with investment managers, including, but not limited to, performance, organization, ownership, investment products, and disclosure issues. The Board shall retain the exclusive right to engage or terminate managers.
- 3.2. Ensure that investment managers comply with the terms of their contracts.
- 3.3. Notify the Board of any identified material issues that may impact investment performance and recommend a course of action to enhance returns or mitigate risk.
- 3.4. Assist and advise staff with work-out situations, breaches or violations of limited partnership and side letter provisions, and fund dissolutions as may arise.
- 3.5. Maintain information on portfolio exposure to vintage years, strategies (core, value, and opportunistic), property types, geographic diversification, and leverage by portfolio type.
- 3.6. Maintain historical information on all cash flow, net asset values, commitments (total, funded, and unfunded), fee payments, cost basis and returns on each investment.
- 3.7. Calculate performance metrics including IRR and multiple calculations measured against performance benchmarks.
- 3.8. Review capital calls and distribution notices.
- 3.9. Prepare quarterly performance reports for the total portfolio. The reports shall include, at a minimum: market overview and outlook, allocation breakdown by geography, strategy, property type and leverage, update on each fund, listing of each fund by strategy, date of commitment to each fund, commitment amount to each fund, drawdown amounts by fund, outstanding commitment by fund, distribution amounts by fund, fund net asset values, and IRR and multiples of each fund.



- 3.10. Provide on-line, real-time client access to review cash flows and performance data by individual investment, strategy, and portfolio type.
- 3.11. Provide assistance with compiling appropriate information to satisfy public information requests or public reporting requirements in accordance with applicable state laws, including, without limitation, Cal. Govt. Code §6254.26(b) and Cal. Govt. Code §7514.7.
- 3.12. Provide market value, performance reconciliation and in-depth reporting, and verification of management fees and expenses.

D. MINIMUM QUALIFICATIONS

A proposing firm (Proposer) must meet all of the following minimum qualifications to LACERS satisfaction to be given further consideration. The Proposer must complete the *Minimum Qualification Certification (Attachment 2)* substantiating that the Proposer satisfies all minimum qualifications and requirements. Failure to satisfy each of the minimum qualifications may result in the immediate rejection of the proposal.

- 1. The firm must be a registered investment advisor under the Investment Advisers Act of 1940 and must be a fiduciary to LACERS. Please provide the most recent copy of your firm’s ADV part I and II.
- 2. The firm (or founding team) must have been in business for at least three (3) years providing **full service, non-discretionary** real estate consulting services and have a minimum of \$1 billion in real estate assets under advisement.
- 3. The firm (or founding team) must consult for at least one (1) defined benefit U.S. public pension fund client with at least \$500 million in committed capital.
- 4. The primary consultant assigned to the LACERS relationship must have a minimum of five (5) years of real estate consulting experience with defined benefit U.S. public pension plans, and have been employed by the firm or predecessor firm for at least three (3) years.
- 5. The firm must be directly responsible for the management of the account, and all personnel responsible for the account must be employees of the firm.
- 6. The firm must not have existing or potential material conflict of interests to the LACERS Board, staff, actuary, auditor, investment managers, or other consultants.
- 7. The firm must carry the following insurance coverage or must have applied for it by the contract execution date:

a. Error and Omissions (Professional Liability)	---	\$ 5,000,000
b. General Liability	---	Min \$ 1,000,000
c. Workers’ Compensation and Employer’s Liability	---	Min \$ 1,000,000

LACERS reserves the right to require a higher and/or additional insurance coverage, if it deems necessary.



All minimum qualifications, except for no. 7 – insurance coverage, must be met as of
November 8, 2021 – 5:00 P.M. Pacific Standard Time (PST).



E. PROPOSED SCHEDULE

RFP Available to Prospective Proposers:	September 8, 2021
Written Questions Submission by email:	September 20, 2021 - 3:00 p.m. PDT
Should a firm need further clarification on the questions or specifications contained in the RFP, the Proposer must e-mail questions to lacers.invest@lacers.org . The <u>subject</u> line of the e-mail should show the name of your firm and “2021 Real Estate Consultant RFP.”	
Response to Written Questions posted on LACERS website, www.lacers.org:	September 27, 2021- 5:00 p.m. PDT
Final Date for Proposal Submission:	November 8, 2021- 5:00 p.m. PST
Interview of Finalists:	March 2022 - April 2022 (tentative)
Contract Start Date:	April 2022 – May 2022 (tentative)

F. SUBMISSION REQUIREMENTS

- a. **Response Format.** To be eligible for evaluation, a proposal must adhere strictly to the format set forth below. Failure to do so may result in disqualification. Proposers must address each of the required sections indicated below. Completeness, clarity and brevity are stressed in proposals.

Within each section of the proposal, the proposer should address the items in the RFP in the order in which they appear in the RFP. Furthermore, ***repeat and bold-type*** each question number and question in the RFP before providing your answer.

Responses to the RFP in the Word document should be in standard 12 point Arial font (or its equivalent), non-bold and non-italicized. All questions requesting asset under advisement must be stated in U.S. Dollars only.

All forms, the RFP Questionnaire, and the electronic versions in Word and Excel provided in this RFP must be completely filled out. If a question does not apply to you, please write in “not applicable” and then state the reason why the question does not apply to your firm.

The content and sequence of the proposal must be as follows:

<u>Section</u>	<u>Title</u>
I	Cover Page
II	Table of Contents
III	Letter of Transmittal
IV	Required Documents

- I. Cover Page
 Title for cover page: **“2021 Real Estate Consultant RFP”**.



II. Table of Contents

Immediately following the cover page, there must be a comprehensive Table of Contents of the material included in the proposal. The Table of Contents must clearly identify the proposal section/subsection and the applicable page numbers.

III. Letter of Transmittal

A letter of transmittal must accompany all responses to this RFP and placed as the first page of the proposal. The letter of transmittal must further state that the proposal is valid for nine (9) months subsequent to the proposal due date.

The letter of transmittal MUST:

- a. identify the proposal as "2021 Real Estate Consultant RFP";
- b. identify the submitting organization;
- c. identify the name and title of the person authorized by the organization to contractually obligate the organization;
- d. identify the names, titles, telephone numbers, and e-mail addresses of persons to be contacted for clarification;
- e. certify that your firm has fully complied with all provisions of the RFP and that all statements are true and accurate, and that the firm has not knowingly made any false or misleading statements in its proposal;
- f. be signed by a person authorized to contractually obligate the organization.

IV. Required Documents

1. Company Questionnaire (*see Attachment 1*)
2. Minimum Qualification Certification (*see Attachment 2*)
3. RFP Questionnaire (*see Attachment 3*) including requested Exhibits:
 - A. Organizational charts of respondent's organization and consulting unit.
 - B. Firm Policy on Conflicts of Interests.
 - C. Sample Real Estate Investment Policy.
 - D. Firm Policy for Allocating Real Estate Investments.
 - E. Two (2) Recent Due Diligence Reports (one recommending an investment opportunity and one rejecting an opportunity).
 - F. Sample Performance Report.
 - G. Sample White Papers/Research on Real estate.
 - H. The most recent Form ADV Part I and Part II (including brochure).
4. Fee Proposal (*see Attachment 4*).
5. Compliance Documents (*see Attachment 5 – PDF format*):
 - a. Warranty/Affidavit.
 - b. Proposer Disclosure Form.
 - c. Bidder Certification – City Ethics Commission Form 50.
 - d. Bidder Certification – City Ethics Commission Form 55.
 - e. Sexual Harassment Policy Disclosure Form.
 - f. Gender Equity Disclosure Form.

As instructed in attachment 5 – General Conditions and Compliance, do not include the completed Organizational Diversity Survey (ODS) as part of the RFP response. The completed ODS must be separately uploaded to the following link: [include Box link]



- b. **Word (or PDF) and Excel Electronic Versions.** Please provide the proposal and the responses in Microsoft Word (or PDF) and in Microsoft Excel.

The Excel spreadsheet containing questions and answers to the RFP must be submitted in the format specified in the downloaded Excel RFP Questionnaire and saved with a file name using the prescribed file name format found in the spreadsheet. We strongly advise against copy and paste answers from the Word document directly to the Excel document as it may change the integrity of the formatted Excel cells.

Note that the Excel spreadsheet may have maximum word limits that are not necessarily found in the Word document. In such cases, we would expect respondents to summarize the answers while maintaining the same meaning and consistency with the Word document responses, where applicable. **Please carefully follow the instructions located at the top of the formatted Excel spreadsheet.**

- c. **Authorization to Bind Organization.** Proposals must be signed by an individual with the authority to bind the Proposer organization and the authority of the individual signing must be stated thereon (see "Company Questionnaire" form).
- d. **Confidentiality of Responses.** The word **CONFIDENTIAL** should be stamped and must be clearly designated on every page in the proposal containing proprietary or trade secret information. Proposers should be aware that LACERS is subject to the Public Records Act, but will endeavor to keep these materials private.
- e. **Deadline.** All materials from the final proposals must be received at LACERS by 5:00 P.M. Pacific Daylight Time (PDT) on November 8, 2021. Date and time will be recorded on the proposals upon their arrival. Late proposals will not be considered.

G. EVALUATION PROCESS

1. Minimum Qualifications Evaluation.

LACERS will only evaluate proposals from firms that meet all of the minimum qualifications as specified in Section D of this RFP. Proposals from firms that fail to meet all of the minimum qualifications will not be considered.

2. Proposal Evaluation.

Proposals from firms that satisfy all of the minimum qualifications will be evaluated and ranked based on the following broad scoring categories:

Criteria	Weight
Ability of firm to provide the services referred to in this RFP	35%
Experience, depth, and strength of firm and consulting team assigned to LACERS	25%
Soundness of investment philosophy and approach to meeting LACERS needs	30%
Fee proposal	10%

A semifinalist list, consisting of no more than the four highest scoring firms, will be established.

3. Due Diligence and Reference Checks.



LACERS staff will conduct due diligence and reference checks on semifinalist firms for further evaluation.

4. Interviews.

Semifinalist firms that satisfactorily pass LACERS due diligence and reference checks will be considered finalists and invited to interview with LACERS Board of Administration and Investment Committee. In evaluating finalists, the Board may consider, but is not limited to, factors such as a firm's service offerings, quality and experience of the firm and consulting team, investment philosophy and approach, reasonableness of fees, etc.

5. Award of Contract.

LACERS' Board of Administration will select one firm to provide real estate consulting services. However, the Board reserves the rights to contract with additional firm(s) when it deems necessary.



ATTACHMENT 1

COMPANY QUESTIONNAIRE

Proposer Firm Name

Organization's Legal Name

Type of Business (Corporation, Partnerships, Individual, etc.)

Website Address

Headquarters Address

Address of Office Managing the Account (if different)

RFP Contact Name

Telephone Number

Email Address

RFP Back-up Contact Name

Telephone Number

Email Address

Signer (authorized to contractually bind the Organization)

Date

Name and Title of Authorized Signer (Please print)

Signer (authorized to contractually bind the Organization)

Date

Name and Title of Authorized Signer (Please print)



ATTACHMENT 2

MINIMUM QUALIFICATIONS CERTIFICATION

Proposer Firm Name

The Proposer must substantiate that the firm satisfies **all**, except no. 7 – insurance coverage, of the minimum qualifications stated in Section D of this RFP, to LACERS' satisfaction, to be given further consideration. The statement must contain sufficient information as prescribed to assure LACERS of its accuracy. **Failure to satisfy each of the minimum qualifications as specifically stated in the Minimum Qualifications Certification at the time that RFP is submitted, based on LACERS' sole judgment, will result in the immediate rejection of the proposal.**

The signature of the authorized representative of the proposer firm represents and warrants that the proposer has met **all**, except no.7 – insurance coverage, of the minimum qualifications by November 8, 2021. The insurance coverage requirement must be met by contract execution date.

1. The firm is a registered investment advisor under the Investment Advisors Act of 1940 and must be a fiduciary to LACERS.
2. The firm has been in business for at least three (3) years providing full service, non-discretionary real estate consulting services and has a minimum of \$1 billion in real estate assets under advisement.

Number of years firm has been in business: _____

Amount of real estate assets under advisement: _____

3. The firm has consulted for at least one (1) defined benefit U.S. public pension fund client with at least \$500 million in committed capital.

Name(s) of client(s): _____

4. The primary consultant assigned to the LACERS relationship has a minimum of five (5) years of real estate consulting experience with defined benefit U.S. public pension plans, and has been employed by the firm or predecessor firm for at least three (3) years.

Name of primary consultant: _____

Number of years of experience with U.S. public pension plans: _____

Years employed with firm: _____

5. The firm is directly responsible for the management of the account, and all personnel responsible for the account are employees of the firm.



ATTACHMENT 2

MINIMUM QUALIFICATIONS CERTIFICATION (Continued)

6. The firm does not have existing or potential material conflict of interests with the LACERS Board, staff, actuary, auditor, investment managers, or other consultants.
7. The firm carries the insurance coverage as stated in item D.7 as of November 8, 2021. If the firm does not currently carry the required coverage, it will carry the coverage or must have applied for it by the contract execution date.

Authorized Signature

Print Name

Title

Date



ATTACHMENT 3

REQUEST OF PROPOSAL (RFP) QUESTIONNAIRE

A. Organization

1. Provide the address of the office that will service this account. If you have other office locations, provide the address and telephone number for each office, and briefly explain the primary functions performed within these offices.
2. Give a brief history of your firm, including (*maximum of 2 pages*):
 - a. Year of inception.
 - b. Number of years of providing full service, non-discretionary real estate consulting.
 - c. Number of years of providing full service, non-discretionary real estate consulting to U.S. public pension plans?
 - d. Business philosophy and goals.
 - e. Historical and current ownership structure, including parent company, affiliations and subsidiaries. Attach as **Exhibit A**, the organizational chart for current ownership structure, including the real estate consulting unit.
 - f. Name and title of any one owner who controls more than 50% of the firm and/or has an equity stake in the organization.
 - g. Significant organizational development for the past 5 (five) years, if any.
 - h. Present and future business plan/strategy as it relates to ownership structure and real estate consulting services. Describe your plans for managing the future growth of your firm in terms of staffing, maximum assets, number of clients, etc. and how this impacts your ability and commitment to servicing your existing clients.
3. What are your firm's consulting specialties, strengths, and limitations? Why LACERS should hire your firm rather than your competitors? Please list your top 5 competitors using the format below:

No.	Name of competitors
1	
2	
3	
4	
5	

4. For the past 5 (five) calendar years, please list all services provided by the firm and the revenues generated by these services using the following format:



	Source of Revenue (US\$ in thousands)	2020		2019		2018		2017		2016	
		\$ Revenue	% of total Revenue								
1	Real Estate Consulting: Discretionary ¹										
2	Real Estate Consulting: Non-Discretionary										
3	Non-consulting services										
	Total Revenue										

¹This amount should tie with the total revenues for the discretionary services shown below.

For discretionary service, please complete the following table:

	Source of Revenue (US\$ in thousands)	2020		2019		2018		2017		2016	
		\$ Revenue	% of total Revenue								
1	Fund-of-funds										
2	Brokerage										
3	Other discretionary Services ²										
	a.										
	b.										
	c.										
	d.										
	e.										
	f.										
	Total Discretionary Revenue										

²Please list those services that represent more than 10% of your total discretionary revenues.

5. If your firm is an affiliate or subsidiary of an organization, what percentage of the organization's total revenue does your division generate?
6. Does your firm subcontract or outsource any parts of your real estate consulting business? Please describe in detail which functions are performed externally and reason for doing so. Please provide the names of the providers, office locations, number of years in business, and the qualifications of the specific people who will be working on our account.
7. If your firm provides discretionary consulting service, what percentage of the firm's total committed capital is discretionary and what percentage is non-discretionary? How has this



service arrangement between discretionary and non-discretionary evolved since the firm’s founding? Has your firm moved away from non-discretionary (or discretionary) engagements within the last 10 years? If so, please explain why.

B. Standards of Conduct

8. Disclose any financial or other relationship you have or have had with any LACERS Board member, consultant, or LACERS employees. If there are no conflicts of interest, please state, “There are no conflicts of interest to report.”
9. Disclose any gifts (meals, tickets, anything of value over \$50, etc.) that you have given to any LACERS Board member, consultant, or LACERS employee in the last 12 months. If ‘Yes’, please disclose them using the format below:

No.	Date (mm/dd/yy)	Given to	Description of Gifts ¹	Value (US\$)

¹ Gifts could be in the form of meals, tickets, paid travel, anything of value over \$50, etc.

10. Does your firm provide real estate consulting services to real estate managers (i.e., fund-of-fund managers, discretionary real estate managers)? If so, please explain how you manage conflicts of interests.
11. Does your firm (includes the affiliates/subsidiaries) or your employee have relationships with real estate managers that you recommend, consider for recommendations, or otherwise mention to the plan for our consideration? If so, describe the relationships.
12. Does your firm (includes the affiliates/subsidiaries) or your employee receive any payments from real estate managers that you recommend, consider for recommendation, or otherwise mention to the plan for our consideration? If so, what is the extent of these payments in relation to your other income (revenue)?
13. What potential conflicts of interest are posed by other activities undertaken by the organization, if any? How are these addressed?
14. Do you have any written policies or procedures to address conflicts of interest, including but not limited to the payment of fees or other consideration from other clients, relationships, or entities that may compromise your fiduciary duty to your clients? If so, please provide a copy as **Exhibit B**.
15. For the past 10 years has the firm, its officers or principals or any affiliate ever:
 - a. been the focus of a non-routine Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigation from any similar federal, state or self regulatory body or organization,
 - b. been a party to or settled any litigation concerning breach of fiduciary responsibility or other investment related matters, or



- c. submitted a claim to your error & omission, fiduciary liability and/or fidelity bond insurance carrier(s)?

If 'yes' to any of the above, please provide details and the current status or disposition.

16. Has any employee of the firm been convicted of a misdemeanor or felony in the past 5 years? Please explain.
17. Has the firm adopted the CFA Code of Ethics and Standards of Professional Conduct? Does the firm have a written code of conduct or set of standards for professional behavior? If so, how is employee compliance monitored?
18. Does your firm have a dedicated, full-time compliance officer? If "yes," please provide a brief biography of this person including name, title, and compliance experience. If "no," please explain who manages conflicts.
19. Does the firm hold or sponsor real estate investment managers or client conferences? If yes, describe such events occurring in the last year, their usual frequency, and whether the costs of such events are paid by the firm or event attendees?
20. Describe any financial relationships that exist with other organizations such as brokerage firms, insurance companies, commercial banks, investment banks, investment management firms, etc.
21. What is your firm's position on third-party placement agents and do you currently engage or do business with such service providers? What is the policy for disclosure of placement agents? When and who is responsible for paying the placement agent fees? Is there one-for-one reduction in management fee of the fund for the placement agent fee?
22. Does the firm keep a record of all recommendations made to clients? How are consultants' recommendations to clients reviewed and monitored by your organization?

C. Clients

23. Provide the number of institutional clients with assets at least \$1 billion which the firm has serviced in a full-retainer capacity for the past 5 years using the following format:

	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16
Number of Clients					
U.S. Public Pension Plan					
Corporate Pension Plan					
Endowments/Foundations					
Others (please specify) *					
Total Number of Clients					
Total Asset Under Advisement (US\$ thousands)					
U.S. Public Pension Plan					
Corporate Pension Plan					
Endowments/Foundations					
Others (please specify) *					
Total Asset Under Advisement					

*For example: fund-of-funds, money management, project/transaction-based.



24. Provide a list of U.S. public pension plan clients to whom your firm has provided specific project consulting (no long-term retainer) in the last three (3) years and briefly describe the type of assignment (i.e. investment policy, market study, etc.) using the format below:

No.	Client Name	Year Service Provided	Type of assignment
1.			
2.			
3.			

25. For the U.S. public pension plan clients (as indicated in your response to question no. 23), please state the total asset under advisement, using the following format (if there is an overlap, please specify):

Investment Vehicles	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16
Direct investment					
Commingled funds (open and closed-end)					
Firm's managed Fund-of-funds					
Firm's managed 3rd party Fund-of-Fund					
Co-investments					
Other (please specify)					
Total Asset Under Advisement (US\$ thousands)					

26. Provide the number of full-retainer clients gained and/or lost for the periods listed below.

	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16
Number of Clients Gained					
Number of Clients Lost					
Total Number of Clients at Year End					

27. For the number of clients lost (as indicated in your response to question no. 26), provide the information using the format below:

No.	Client Name	Type of Plan*	Asset Under Advisement at time of termination (US\$000)	Reason(s) for Termination
1				
2				
3				

* Public, Corporate, Endowment/Foundation, etc.

28. Provide references, using the format below, for U.S. public pension plan or institutional clients (if U.S. public pension plan is unavailable) with assets over \$1 billion for whom you provide full service, non-discretionary real estate consulting services comparable to the services requested in this RFP. These references should be the current clients of your proposed primary and back-up consultants for the LACERS account.

Please secure advanced permission to contact at least three (3) of these references. If there are fewer than three (3) references, then include all.



No.	Client Name	Type of Plan *	FR or P **	Relationship (# of years)	Contact	Title	Telephone #	Email
1.								
2.								
3.								
4.								
5.								

* Public, Corporate, Endowment/Foundation, etc.
 ** Full-Retainer (FR) or Project-based (P).

For each reference listed above, please complete the following tables:

No.	Client Name	Total Plan Size (US\$ millions)	Real Estate Program Size* (US\$ millions)	Number of Managers monitored
1.				
2.				
3.				
4.				
5.				
6.				

* Total capital commitments as of December 31, 2020.

No.	Client Name	List major property types*	List major geographic locations**
1.			
2.			
3.			
4.			
5.			

* For example: Office, Industrial, Multi-family, Retail, REITS, etc. Major indicates > 20% of the Real Estate program size.
 ** For example: West Coast, East Coast, Northwest, North America, South America, Europe, Asia, etc. Major indicates > 10% of the Real Estate program size.

D. Professional Staff

29. Complete the following table for all professionals within your organization who are responsible for providing real estate consulting services. Indicate those professionals who would have direct responsibility for the LACERS account by placing a “*” next to their name.

Name and Title	Job Function	Primary office location	Years with Firm	Total Years of Real Estate Consulting Experiences



30. Complete the table below for the **primary consultant(s), backup consultant(s), and support personnel** who would be responsible for the LACERS account.

For **primary consultant(s) and backup consultant(s)**, provide brief biographies on each individual including: academic and professional credentials, relevant experience, number of years in current position and total years of real estate consulting experience.

For **support personnel**, provide brief description of responsibilities for each individual.

Identify and explain the role of backup consultant and other contingency plans in the case of key professionals and/or primary personnel leaving.

Name and Title	Primary (P), Backup (B) or Support (S)?	Total Number of Accounts Assigned	Years with Firm *	Total Years of Real Estate Consulting Experiences *

* Refer to the Minimum Qualification on Section D.

31. How does your firm determine which primary consultant(s), backup consultant, and support personnel will be assigned to a particular account?
32. For the proposed **primary** and **backup** consultants assigned to the LACERS account, using the format below, provide the client name, plan type (i.e. public, corporate, endowment/foundation, etc.), role of the consultant(s), length of relationship with the stated client, client's total plan size and client's real estate program size (based on total commitments as of December 31, 2020).

No.	Client Name	Plan Type	Role (Primary - P or Backup - B)	Length of Relationship (in Yrs)	Total Plan Size (US\$ millions)	Real Estate Program Size (US\$ millions)
Primary Consultant (s)						
1.						
2.						
3.						
4.						
5.						
Backup Consultant (s)						
1.						
2.						
3.						
4.						
5.						

33. What policies are in place to control the workload and the number of clients serviced by each consultant? Is there a limit on the number of accounts that a consultant may handle?



34. Explain how junior level staff are trained or developed to assume more senior level positions and cite the criteria used to promote them.
35. Briefly describe your firm’s compensation and incentive program for hiring and retaining consultants and other key professionals. How does the firm tie client performance and satisfaction to a consultant’s performance?
36. For the last 5 years and using the following format, describe the turnover in key professionals in the following categories:
 - a. Client consultants.
 - b. Key technical and research personnel.
 - c. Management professionals.

Name & Title	Position	Year Joined/Left Firm	Years with Firm	Replacement	Reason(s) for leaving

E. Services

37. List all services provided in a typical real estate full service consulting and performance monitoring relationship. List the special services that you have provided to meet needs of other clients including any service mentioned or referenced in this RFP. Which of those services are in addition to the Scope of Services described in this RFP? Also, indicate which services mentioned or referenced in this RFP that you will not provide.
38. Briefly summarize your philosophy relating to the consultant’s relationship with Board members, staff and real estate managers.
39. What approaches does your firm use to communicate with your clients? What should a client expect from you in terms of client service? If awarded a contract, what is your plan for ensuring that the relationship with LACERS is successful?
40. Do you attend annual manager or partnership meetings on behalf of your clients? If not, will you participate at a client’s specific request and will there be a charge for this service?
41. How do you typically assist clients with co-investment underwriting opportunities?

F. Philosophy and Approach

42. Describe the firm’s philosophy and approach with respect to real estate consulting for a defined benefit U.S. public pension plan. Has this philosophy and approach changed in light of the COVID-19 pandemic amid concerns about real estate liquidity, possibility of increase in interest rate, inflation, changes in fund valuations, and funded status? (*maximum 1 page*).



43. Does your firm favor or specialize in any particular strategy (core, value, and opportunistic) or property types (residential, industrial, office, retail, hotel, other real estate) of the real estate market? Please elaborate on the pros and cons of the various strategies and how you might position LACERS' real estate portfolio to gain diversification and achieve high levels of risk-adjusted returns (*maximum 1 page*).
44. Briefly explain your firm's approach to risk management internally and on your clients' accounts. What does your firm see as the key risks that should be managed in a real estate program, especially in a defined benefit U.S. public pension fund? (*maximum 1 page*).

G. Investment Policy & Asset Allocation

45. Describe your defined benefit U.S. public pension fund experience and approach in:
 - a. developing investment policy and objectives for a diversified pension fund, particularly within the context of a comprehensive strategic plan.
 - b. assisting the Board in monitoring investment policy, strategy and diversification.
 - c. analyzing a client's portfolio structure and for recommending changes.

Provide an example of a real estate investment policy (*maximum 2 pages*). In the policy, briefly address any economic/market assumptions and how the strategy achieves its objectives given the current and future changes in interest rates, inflation, supply and demand constraints, etc. Please attach this policy as **Exhibit C**.

46. What does your firm consider to be the crucial issue regarding an investment policy?
47. What is your outlook on some of the key global events in the U.S., Latin America, Europe, Asia, Africa and the Middle East? How does this outlook influence your views on real estate programs and policy?
48. Based on your knowledge of LACERS and its Investment Policy Statement, provide the approach you would take in revising the LACERS Real Estate Policy in terms of direction, performance, and risk of the total program (*maximum 1 page*).
49. What is your internal policy for allocating real estate investment opportunities across clients? How do you allocate over-subscribed investment opportunities across clients? Please attach this policy as **Exhibit D**.

H. Firm Capabilities & Investment Process

50. Indicate the types of investment strategies and vehicles that the firm has experience with for defined benefit U.S. public pension fund clients. Describe the optimal situation for using one of the following investment vehicle type versus the others (*maximum 1 page*):
 - a. Open-End Commingled Funds
 - b. Closed-End Commingled Funds
 - c. Direct Investments
 - d. Public Real Estate Securities
 - e. Co-investment Opportunities
 - f. Infrastructure Investments
51. Describe the approach, frequency, and staffing assigned to the following services for a full service, non-discretionary real estate engagement (*maximum 4 pages*):



- a. Partnership or fund sourcing.
 - b. Desk review and on-site due diligence including preparation of comprehensive due diligence reports.
 - c. On-going fund and GP monitoring.
 - d. Strategic and tactical planning and commitment pacing.
 - e. Asset allocation and risk management advisory for real estate programs.
 - f. Terms and conditions negotiation.
 - g. Work-out situations.
 - h. Performance reporting.
 - i. Real estate program policy development and program structuring assistance.
 - j. Cash flow modeling.
 - k. Capital call and distribution notice review and checks and balances process.
 - l. Other services (please elaborate).
52. Explain the firm’s overall investment process for a full service, non-discretionary relationship. Include how do you construct portfolios to optimize diversification across the number of general partner relationships, number of fund commitments, capital commitment per fund, property type, etc?
53. How does the firm source and develop new relationships with general partners prior to making a commitment? Does your firm prefer to strengthen existing relationships and do follow-on funds or seek new general partners to find added value?
54. Using the format below, indicate the number of general partners (GPs) you have met with annually:

As of	Number of meetings with General Partners (GPs)		
	In your office	At the GPs' offices	Virtually
December 31, 2020			
December 31, 2019			
December 31, 2018			

55. Using the format below, list a sample (if allowable or conceal names as appropriate) of the “top quartile” funds that your firm has made commitments to for (and prior to) vintage year 2017 for U.S. public pension plan clients.

Top quartile funds	Vintage year	Strategy (core, value or opportunistic)	Gross IRR as of 12/31/20

56. How would you assist LACERS in developing new relationships with “top quartile” general partners while maintaining strong relationships with LACERS existing top performing general partners?
57. What is your process for identifying and analyzing first-time funds? How many first-time funds have you made commitments to within each of the last five years? Using the format



below, list a sample (if allowable or conceal names as appropriate) of the first-time funds you have made commitments to.

First-time funds	Vintage year	Strategy (core, value or opportunistic)	Gross IRR as of 12/31/20

58. Describe the firm’s actual investment commitments (in terms of vintage year, total USD amount, property types, etc.) made in the following North America (please specify states) and International markets (*maximum 2 pages*). Briefly state reason if you do not invest in any of these markets.
 - a. West
 - b. Midwest
 - c. South
 - d. East
 - e. International (please specify countries)

59. Over the next three to five years, which of the markets listed in the previous question do you intend to make new investments in or exit? Why do you believe opportunities exist or do not exist in these markets? If LACERS awarded the real estate consulting services contract to you, what would you project the committed capital weights (in percentage terms and adding to 100%) of LACERS real estate portfolio to be for each of the markets above in the year 2024? 2029?

60. Explain how the firm determines its real estate strategic allocation policy (i.e., the allocation between core, value, and opportunistic) for defined benefit U.S. public pension plans like LACERS. Is the allocation policy similar for all of your defined benefit U.S. public pension plan clients or customized to meet specific client needs? Please explain briefly.

61. Briefly describe the firm’s due diligence process for investments. Please attach (1) a copy of a recent due diligence report recommending a commitment and (2) a recent due diligence report where an investment was declined. Redacted reports are acceptable. Attach as **Exhibit E**.

62. What is your approach to allow the client to source its own partnerships funds for referral to the real estate consultant? Please describe any experience your firm may have in this arrangement?

63. Briefly describe the firm’s approach to evaluating non-U.S. and non-Western European real estate investments. How does the firm’s process for evaluating these investments differ from U.S. and Western European investments?

64. Briefly describe the firm’s experience with opportunistic, non-traditional real estate investments.



65. Describe the firm’s experience with emerging managers. What is your definition of an “emerging manager”? How do you source these types of funds? (*maximum 2 pages*)
 Using the format below, provide list a sample of emerging managers you have made commitments to.

Fund Name	Emerging Manager Firms	Vintage year	Strategy (core, value or opportunistic)	Gross IRR as of 12/31/20

66. Under what circumstances would your firm recommend investing in a fund-of-funds real estate vehicle versus investing directly in limited partnership funds? What would be an optimal percentage between the two for a client like LACERS? Briefly explain.
67. Does your firm manage its own real estate fund-of-funds? If so, describe the strategy and return expectation of these fund-of-funds. Would your firm ever recommend a fund-of-funds managed by another investment manager over your own fund-of-funds? Also, how does your firm allocate real estate investment opportunities between your separate account clients and the fund-of-funds that you manage and ensure that there are no conflicts of interests? Does your firm manage any other types of assets besides real estate fund-of-funds?

I. Manager Database

68. Describe your database that is used for manager searches:
- a. How many of the followings do you maintain?
 - i. Managers/advisors
 - ii. Emerging managers
 - iii. Direct Investments/Co-Investments
 - iv. Commingled funds (open-end and closed-end)
 - v. Fund-of-funds
 - vi. Secondaries
 - vii. Co-investments
 - b. Is your database purchased or proprietary?
 - c. How do you gather, verify, analyze, and update manager information? How frequently do you update manager information?
 - d. How many years of performance data is on the system, and are simulated returns included?
 - e. What level of detail is included in your database for screening purposes (e.g., assets under management, client information, staffing information, research capabilities, ownership fees, organizational changes, etc.)?
 - f. What are the specific criteria used to determine the investment strategy (core, value, opportunistic) for an investment manager or product?
 - g. What criteria and/or benchmark do you use in evaluating managers in order to determine “top-quartile”?



69. Do you receive a fee or other consideration from investment managers who wish to be maintained on your database? Do you sell database information? Do you receive compensation directly or indirectly from the sale of this information? What percentage of your revenue do you derive from sales to or subscriptions from investment managers on your database?

J. General Partner Searches

70. Using the format below, please list the firm’s top 5 existing general partner relationships where your firm has made a commitment to at least two or more of their funds. For confidentiality purposes, instead of using actual fund names, you may list them as “Fund 1, Fund 2, etc.” Briefly explain why each of these general partners is a top 5 relationship for your firm.

General Partners	Funds	Vintage year	Strategy	Reason

71. How are potential real estate investment opportunities identified? How many real estate investment opportunities have been evaluated per year since 2016?

Real Estate Investment Opportunities	2020	2019	2018	2017	2016
# of investment opportunities evaluated					
# of investment opportunities committed					

72. Briefly describe your firm’s experience in:
 a. Preparing property due diligence reviews for new acquisitions and property reviews for existing investments?
 b. Managing an appraisal process for a client and preparing review appraisal reports?

Provide a sample outline of a due diligence review and a review of an appraisal report, if available.

73. Discuss the number of individuals assigned to monitoring investment products and frequency of both their internal and external manager visits.

74. What percentage of time would each of the key staff assigned to the LACERS account spend meeting with general partners as part of the due diligence process? How many due diligence site visits are conducted each year by each of these key staff?

K. Portfolio Management and Reporting

75. Describe any comprehensive program-level risk management tools you use to understand and evaluate the various types of risk associated with a client’s real estate program. Do these tools allow for look-through to portfolio companies?



76. Describe your performance measurement system:
 - a. What categories are tracked in the system? Provide the specific characteristics unique to each category, as well as concise definitions.
 - b. Is the property level information used for both direct and commingled fund analysis?
 - c. Is the system proprietary/internally developed or an "off-the-shelf" product? Do you plan to make any changes to the current system?
 - d. How many years of useable performance data are in your database?
 - e. Source of information (other than databases and managers) you use for providing performance measurement data.
 - f. Does your firm follow the Global Investment Performance Standards (GIPS)? If not, please explain why.
 - g. How do you verify and reconcile the investment managers' returns?
 - h. How are total fund numbers calculated?
77. Briefly describe your methodology in computing partnership returns including the actual formula utilized, the frequency of calculation, and the treatment of cash flows, and fees.
78. What is the basis for portfolio valuations? Do you utilize the general partners' valuations? Do you independently verify the reasonableness of general partners' valuations and what tools or service do you use to do this?
79. What benchmark(s) do you recommend for evaluating the performance of a defined benefit U.S. public pension plan's real estate program?
80. Does the firm provide clients with an online web portal? How long has this website been in use? Describe in detail the information that is available to clients on this website (e.g., partnership names, commitments, aggregate IRR by investment type, etc.). Can clients download data from this website and what format is the data available in (e.g. Excel, PDF, etc.)? Describe the flexibility available to customize reports (*maximum 1 page*).
81. Describe how your organization identifies problems with general partner activities and performance. Include the process by which steps are taken to rectify problems.
82. Describe the steps you have taken on behalf of your clients who have partnership investments that are performing poorly, have legal issues, or where there is a non-performing general partner.
83. Please provide a sample of your firm's performance report and other standard reports. Attach as **Exhibit F**.
84. What impact has FASB 157 had on your business? What challenges do you have in reporting valuations back to your clients on a timely basis? Please describe some of the issues that your firm has encountered with reporting for defined benefit U.S. public pension plan clients. What issues have your clients raised with you on this matter?
85. List the major custodian banks that your firm currently works with.



L. Environmental, Social & Governance (ESG) Disclosure

86. Does your Firm integrate analysis of financially material environmental, social, and governance issues into its investment process? If so, please explain. If not, please explain.
87. What is your firm's philosophy on ESG and how is that integrated into your decision-making processes?
88. Briefly describe the effectiveness of incorporating ESG to your approach?
89. Is your firm a PRI signatory? If so, when did your firm become a signatory? If yes, in what year did it become a signatory? Please attach your Firm's ESG Policy as **Exhibit G**.
90. Does your Firm generate a Responsible Investing Transparency Report? If no, are there any plans in the future to do so?
91. Does your Firm promote any Socially Responsible Investing Funds? If so, please describe how it is promoted to your clients.

M. Other

92. Describe the firm's policy or position regarding requests pursuant to the Freedom of Information Act and other public disclosure laws.
93. Explain the transition process of moving an active real estate program from the incumbent consultant to your firm. What issues would arise and what problems might be incurred as a result of the transition? Please be as specific as possible.
94. Please describe your business continuity plan. Have you ever had to activate any parts of the plan? If so, describe the effectiveness of the plan and any post-activity modifications to that plan.
95. Please provide samples of no more than three white papers or short research communications on real estate provided to your clients. If available, one of the topic shall address the outlook on some of the key global events in the U.S., Latin America, Europe, Asia, Africa and the Middle East and how this outlook influence your views on real estate programs and policy. Attach as **Exhibit H**.



ATTACHMENT 4

FEE PROPOSAL

Proposer Firm Name

Provide your lowest proposed fees in **US\$** for non-discretionary, full-retainer real estate consulting services presented in the format shown below. The contract term is expected to be five (5) years. Scope of Services (detailed in Section C) should form the basis of your proposed fees. Proposed fees must include travel, taxes, and all other expenses.

Year	Annual Fee (US\$)
1	\$
2	\$
3	\$
4	\$
5	\$
Total Fee:	\$

Are the fees presented above negotiable?

What is your hourly rate for project consulting?

Year 1	Year 2	Year 3	Year 4	Year 5

Once a consultant has been selected, negotiations of the fee may become necessary. In no case will the negotiations result in a fee that is higher than the fee contained in the proposal.



ATTACHMENT 5
GENERAL CONDITIONS AND COMPLIANCE

All Proposers are to review the following documents:

1. Appendix A - General Conditions
 - Attachment 1 - Confidentiality & Non-Disclosure of Member Information
 - Attachment 2 - RFP Warranty/Affidavit
 - Attachment 3 - Marketing Cessation Policy
 - Attachment 4 - Marketing Cessation Proposer Disclosure Form
 - Attachment 5 - Bidder Certification – City Ethics Commission Form 50
 - Attachment 6 - Bidder Certification – City Ethics Commission Form 55
 - Attachment 7 - Form 700 Filers
2. Appendix B - Standard Provisions for City Contracts
3. Appendix C - Additional Forms
 - Attachment 1 – Gender Equity Disclosure Form
 - Attachment 2 – Sexual Harassment Policy Disclosure Form
 - Attachment 3 – Organizational Diversity Survey (ODS)

Please refer to the LACERS Emerging Investment Manager Policy within the LACERS Investment Policy Manual for further details regarding the ODS. The policy is located on LACERS website at:

https://www.lacers.org/sites/main/files/file_attachments/lacers_board_manual.pdf?1627588543

4. Appendix D – Sample of LACERS Contract

All Proposers are to complete the following **forms** and include as attachment 5 of your response:

1. Warranty/Affidavit (Appendix A, Attachment 2). The document must be signed and notarized.
2. Proposer Disclosure Form (Appendix A, Attachment 4).
3. Bidder Certification – City Ethics Commission Form 50 (Appendix A, Attachment 5). Please leave BAVN number section blank.
4. Bidder Certification – City Ethics Commission Form 55 (Appendix A, Attachment 6). Please leave BAVN number section blank.



5. Gender Equity Disclosure Form (Appendix C, Attachment 1).
6. Sexual Harassment Policy Disclosure Form (Appendix C, Attachment 2).

Additionally, all proposers are requested to complete an Organization Diversity Survey (ODS). **Do not include the completed ODS form as part of attachment 5 of your RFP response.** Pursuant to the LACERS Emerging Investment Manager Policy, completed ODS forms are to be submitted separately to: **(add link to Box)**

FAILURE TO COMPLY WITH THE INSTRUCTIONS FOR COMPLETING AND SUBMITTING THE ABOVE DOCUMENTS MAY DEEM YOUR PROPOSAL AS NON-RESPONSIVE AND REMOVE YOUR PROPOSAL FROM FURTHER CONSIDERATION.



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: AUGUST 24, 2021

ITEM: X - D

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$40 MILLION IN HELLMAN & FRIEDMAN CAPITAL PARTNERS X, 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 Hellman & Friedman Capital Partners X, L.P.

Executive Summary

Hellman & Friedman Capital Partners X, L.P. will focus on large capitalization buyouts in North America and Europe.

Discussion

Consultant Recommendation

Aksia TorreyCove Partners LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$40 million in Hellman & Friedman Capital Partners X, L.P. (the Fund), a buyout strategy managed by Hellman & Friedman Investors X, L.P. (Hellman & Friedman or the GP). 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

Hellman & Friedman was founded in 1984 and is currently led by Philip Hammarskjold, Patrick Healy, David Tunnell, and Allen Thorpe. To date, the GP has raised over \$50 billion of committed capital. The firm consists of over 140 employees, and has offices in San Francisco (headquarters), New York, and London.

LACERS has an existing general partner relationship with Hellman & Friedman and previously committed a total of \$100.5 million to the following Hellman & Friedman-sponsored funds:

Fund	Vintage Year	Commitment Amount	Net IRR^{1,2}
Hellman & Friedman V, L.P.	2004	\$10.5 million	27.8%
Hellman & Friedman VI, L.P.	2006	\$20.0 million	12.9%
Hellman & Friedman VII, L.P.	2011	\$20.0 million	24.7%
Hellman & Friedman VIII, L.P.	2016	\$20.0 million	19.2%
Hellman & Friedman IX, L.P.	2019	\$30.0 million	20.5%

Investment Thesis

The Fund invests in select industries such as software, financial services, business & information services, healthcare, internet & media, and retail & consumer. Within these industries, the GP seeks large capitalization companies that typically have attributes such as strong brand names, predictable recurring revenue, pricing power, high levels of free cash flow, attractive returns on capital, and steady growth profiles. Hellman & Friedman 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 that will consist primarily of U.S.-based companies. 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's recommendation. The commitment has been consummated pursuant to the Discretion in a Box (Roles and Responsibilities) section of the Private Equity Investment Policy; no Board action is required.

Strategic Plan Impact Statement

Investment in Hellman & Friedman 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: Eduardo Park, Investment Officer II, Investment Division

NMG/RJ/BF/WL/EP:rm

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

¹Net Internal Rate of Return as of December 31, 2020.

²Performance 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

Hellman & Friedman Capital Partners X, L.P.
Investment Notification



www.aksia.com

Hellman & Friedman Capital Partners X, L.P.

General Partner	• Hellman & Friedman (“H&F” or the “Firm”)
Fund	• Hellman & Friedman Capital Partners X, L.P. (“Fund X” or the “Fund”)
Firm Founded	• 1984
Strategy	• U.S. Buyout
Sub-Strategy	• U.S. Large Cap Buyout
Geography	• North America & Europe
Team	• ~140 professionals
Senior Partners	• Patrick Healy, Philip Hammarskjold, David Tunnell, Allen Thorpe
Office Locations	• San Francisco, New York, London
Industries	• Software, internet & media, financial services, consumer & retail, healthcare, business & information services
Target Fund Size	• \$20.0 billion
LACERS Investment	• \$40.0 million

Investment Highlights

- The Firm is led by an experienced and cohesive senior team that have worked together for several decades.
- Despite the Firm’s success, it continues to pursue just the Flagship fund offering, with no other product categories.
- Concentrated portfolio construction.
- Consistently strong returns over time with relatively low loss ratios.

Hellman & Friedman Capital Partners X, L.P.

Firm and Background

- Warren Hellman and Tully Friedman founded H&F in 1984
- The Firm raised its first fund in 1987 and has subsequently raised nine additional buyout funds, most recently in 2021.
- H&F has undergone multiple leadership transitions throughout its 30+ year history, most recently occurring in 2019 when Patrick Healy became sole CEO and Philip Hammarskjold assumed the role of Executive Chairman.
- Today, H&F employs ~140 professionals, including 24 partners, across its offices in San Francisco, London, and New York.

Investment Strategy

- Fund X will pursue a more concentrated strategy primarily targeting control-oriented investments in high quality and growing large cap businesses based in North America and Europe.
- H&F focuses on investing across six core sectors: (i) software, (ii) internet & media, (iii) financial services, (iv) consumer & retail, (v) healthcare, and (vi) business & information services.
- While H&F is expected to focus on control investments, it will also pursue minority investments.

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 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.

ARTICLE III. BOARD INVESTMENT POLICIES

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	<ul style="list-style-type: none"> • Select Private Equity Consultant. • Approve asset class funding level. • Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges. 	<ul style="list-style-type: none"> • In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. 	<ul style="list-style-type: none"> • Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Investment Selection	<ul style="list-style-type: none"> Review investment analysis reports. Review and approve investments in new partnerships of amounts greater than \$50 million prior to investment. Review and approve investments in follow-on partnerships of amounts greater than \$100 million prior to investment. Review and approve direct co-investment opportunities that exceed \$50 million. Review and approve the sale of any one existing partnership fund on the secondary market exceeding \$50 million in Fair Market Value. Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure. 	<ul style="list-style-type: none"> Refer investments and forward to Private Equity Consultant for preliminary screening. Conduct meetings with prospective or existing general partners representing new investment opportunities. Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer. 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. 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. In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including \$50 million. 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. General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing. Ensure review of relevant fund documents by the City Attorney and/or external legal counsel. 	<ul style="list-style-type: none"> Conduct appropriate analysis and due diligence on investments. Prepare investment reports for Board consideration on investments exceeding \$50 million for new managers, or exceeding \$100 million in follow-on funds. 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. With Staff concurrence, approve direct co-investment opportunities up to and including \$50 million. 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. 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). Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence. Coordinate meetings with general partners at the request of Staff. Advise on and negotiate investment terms.

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Investment Monitoring	<ul style="list-style-type: none"> Review quarterly, annual, and other periodic monitoring reports and plans. Review Commitment Notification Reports. 	<ul style="list-style-type: none"> Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant. Conduct meetings with existing managers periodically. Attend annual partnership meetings when appropriate. Fund capital calls and manage distributions. Review Private Equity Consultant's recommendations on partnership amendments and consents. Execute partnership amendments and consents. Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence. Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s). Prepare Commitment Notification Reports for Board. 	<ul style="list-style-type: none"> Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio. Recommend amendments and consents to Staff for approval. Provide quarterly, annual, and other periodic monitoring reports and plans.



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guadlielmo, General Manager

Neil M. Guadlielmo

MEETING: AUGUST 24, 2021

ITEM: X - E

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$60 MILLION IN TA XIV-A, L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$60 million in TA XIV-A, L.P.

Executive Summary

TA XIV-A, L.P. invests in profitable middle-market growth companies in the following sectors: software, business services, financial services, consumer, and healthcare.

Discussion

Consultant Recommendation

Aksia TorreyCove Partners LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$60 million in TA XIV-A, L.P. (the Fund), a growth equity fund managed by TA Associates Management (TA or the GP). Fund management and incentive fees are comparable to similar strategies; the GP will invest alongside limited partners, providing alignment of interest. This recommendation is consistent with the Private Equity Program 2021 Strategic Plan adopted by the Board on November 24, 2020.

Background

TA was founded in 1968 by Peter Brooke. The firm currently invests in late-stage venture, expansion, growth equity, and middle-market buyouts. Since the firm's inception, TA has invested more than \$30 billion of capital. The firm has 90 investment professionals and offices in Boston (headquarters), Menlo Park, Mumbai, London, and Hong Kong.

LACERS has an existing general partner relationship with TA and previously committed a total of \$86 million to the following TA-sponsored funds:

Fund	Vintage Year	Commitment Amount	Net IRR^{1,2}
TA X, L.P.	2006	\$6 million	5.2%
TA XI, L.P.	2010	\$20 million	26.8%
TA XII-A, L.P.	2016	\$25 million	38.5%
TA XIII-A, L.P.	2019	\$35 million	20.0%

Investment Thesis

The GP seeks to invest in profitable middle-market growth companies with solid management teams in the following sectors: software, business services, financial services, consumer, and healthcare. The GP adds value by helping portfolio companies with mergers and acquisitions, recruiting senior management and board members, developing and executing growth strategies, and optimizing cost and capital structures. Furthermore, the GP relies on portfolio companies' earnings growth as the primary source of returns and works to drive organic growth through geographic and vertical expansion, pricing, and customer analytics. 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's recommendation. The commitment has been consummated pursuant to the Discretion in a Box (Roles and Responsibilities) section of the Private Equity Investment Policy; no Board action is required.

Strategic Plan Impact Statement

Investment in TA XIV-A, 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

¹ Performance as of December 31, 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

TA XIV-A, L.P.
Investment Notification



www.aksia.com

TA XIV-A, L.P.

Firm	• TA Associates (“TA” or the “Firm”)
Fund	• TA XIV-A, L.P. (“Fund XIV” or the “Fund”)
Firm Founded	• 1968
Strategy	• Growth Equity
Sub-Strategy	• U.S. Growth Equity
Geography	• Primarily North America
Team	• ~90 investment professionals
Senior Partners	• Brian Conway and Ajit Nedungadi
Office Locations	• Boston, Menlo Park, London, Mumbai, and Hong Kong
Industries	• Technology
Target Fund Size	• \$10.5 billion
LACERS Investment	• \$60.0 million

Investment Highlights

- The 24 Managing Directors have worked at TA for an average of 16.5 years, with no Managing Director level departures over the past five years. The team has pursued this strategy together through various economic cycles.
- TA developed the Strategic Resource Group to aid investment sponsors with onboarding new investments, drive revenue growth, and manage performance improvement initiatives.
- Strong consistent track record with realized returns.

TCV XI-A, L.P.

Firm and Background

- TA Associates is a global private equity firm focused on profitable, high-growth companies in the middle market.
- Originally founded as a venture capital firm in 1968, the Firm formalized its current investment strategy and rebranded under the “TA” moniker in 2000.
- TA launched its Select Opportunities platform in 2019 to enable the Firm to extend participation in a select group of companies in a fund structure separate from the Flagship Funds.
- TA is managed by Brian Conway, Chairman; Ajit Nedungadi, CEO; and 22 Managing Directors.

Investment Strategy

- Fund XIV will seek to invest in high-quality, profitable businesses with high recurring revenues, sustainable earnings growth, attractive gross and EBITDA margins, strong cash conversion, low customer churn, and the potential to complete accretive acquisitions.
- The Fund will target both profitable minority-stage investments and middle-market growth buyouts.
- The Firm expects to build a portfolio with 50 to 60 investments that require an average equity check of \$200 million.
- Fund XIV will be well diversified over a broad number of investments across its five targeted growth industries. Specifically, the five targeted industries include: software, business services, financial services/fintech, consumer, and healthcare.

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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.

ARTICLE III. BOARD INVESTMENT POLICIES

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	<ul style="list-style-type: none"> Select Private Equity Consultant. Approve asset class funding level. Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges. 	<ul style="list-style-type: none"> In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. 	<ul style="list-style-type: none"> Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Investment Selection	<ul style="list-style-type: none"> • Review investment analysis reports. • Review and approve investments in new partnerships of amounts greater than \$50 million prior to investment. • Review and approve investments in follow-on partnerships of amounts greater than \$100 million prior to investment. • Review and approve direct co-investment opportunities that exceed \$50 million. • Review and approve the sale of any one existing partnership fund on the secondary market exceeding \$50 million in Fair Market Value. • Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure. 	<ul style="list-style-type: none"> • Refer investments and forward to Private Equity Consultant for preliminary screening. • Conduct meetings with prospective or existing general partners representing new investment opportunities. • Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer. • 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. • 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. • In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including \$50 million. • 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. • General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing. • Ensure review of relevant fund documents by the City Attorney and/or external legal counsel. 	<ul style="list-style-type: none"> • Conduct appropriate analysis and due diligence on investments. • Prepare investment reports for Board consideration on investments exceeding \$50 million for new managers, or exceeding \$100 million in follow-on funds. • 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. • With Staff concurrence, approve direct co-investment opportunities up to and including \$50 million. • 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. • 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). • Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence. • Coordinate meetings with general partners at the request of Staff. • Advise on and negotiate investment terms.

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Investment Monitoring	<ul style="list-style-type: none"> Review quarterly, annual, and other periodic monitoring reports and plans. Review Commitment Notification Reports. 	<ul style="list-style-type: none"> Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant. Conduct meetings with existing managers periodically. Attend annual partnership meetings when appropriate. Fund capital calls and manage distributions. Review Private Equity Consultant's recommendations on partnership amendments and consents. Execute partnership amendments and consents. Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence. Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s). Prepare Commitment Notification Reports for Board. 	<ul style="list-style-type: none"> Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio. Recommend amendments and consents to Staff for approval. Provide quarterly, annual, and other periodic monitoring reports and plans.



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

MEETING: AUGUST 24, 2021

ITEM: X - F

Neil M. Guglielmo

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$50 MILLION IN ORCHID ASIA VIII, L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$50 million in Orchid Asia VIII, L.P.

Executive Summary

Orchid Asia VIII, L.P. will focus on growth equity investments in Chinese businesses within the branded consumer products/services; retail; healthcare; technology, media, and telecommunications; and specialty manufacturing sectors.

Discussion

Consultant Recommendation

Aksia TorreyCove Partners LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$50 million in Orchid Asia VIII, L.P. (the Fund), a growth equity fund managed by Orchid Asia Group Management, Ltd. (Orchid Asia or the GP). Fund management and incentive fees are comparable to similar strategies; the GP will invest alongside limited partners, providing alignment of interest. This recommendation is consistent with the Private Equity Program 2021 Strategic Plan adopted by the Board on November 24, 2020.

Background

Orchid Asia was founded in 1993 by Peter Joost as one of the first private equity firms based in China. Peter Joost retired in 2008, and leadership responsibilities were transferred to Gabriel Li, who had been with the firm since 2003. Today, the senior leadership team includes Gabriel Li, Edmond Wong, Allen Chen, Kevin Huang, Teck-Shang Ang, William Chan, and Richard Mao. Orchid Asia is headquartered in Hong Kong, with additional offices in Shanghai, Beijing, and Guangzhou. The GP has 20 investment professionals and assets under management of \$6.8 billion as of September 30, 2020.

Orchid Asia is a new general partner relationship for LACERS.

Investment Thesis

The Fund will focus on investing in high quality Chinese businesses with experienced management teams, sustainable competitive advantages, and strong market positions. The Fund will seek growth equity minority investments in firms within the branded consumer products/services; retail; technology, media, and telecommunications; and specialty manufacturing sectors. Orchid Asia focuses on partnering with well-trained, local, and experienced operating executives, preferably with experience working with multinational companies. The GP typically seeks to be the sole investor, which allows for significant influence over the portfolio companies.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in Orchid Asia VIII, 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

Orchid Asia VIII, L.P.
Investment Notification



www.aksia.com

Orchid Asia VIII, L.P.

General Partner	• Orchid Asia Group Management, Ltd. (the “Firm” or “Orchid Asia”)
Fund	• Orchid Asia VIII, L.P. (the “Fund”)
Firm Founded	• 1993
Strategy	• Growth Equity
Sub-Strategy	• Growth Equity
Geography	• China
Team	• ~20 investment professionals
Senior Partners	• Gabriel Li, Edmond Wong, Allen Chen, Kevin Huang, Teck-Shang Ang, William Chan, Richard Mao
Office Locations	• Hong Kong, Shanghai, Beijing, Guangzhou
Industries	• Diversified
Target Fund Size	• \$1.6 billion
LACERS Investment	• \$50.0 million

Investment Highlights

- Orchid Asia is a well-established organization with a stable management team.
- Despite the Firm’s success, it continues pursue just the Flagship fund offering with a broad growth-focused mandate.
- The Firm has an on-the-ground presence with multiple offices across China.
- Long history of strong performance.

Orchid Asia VIII, L.P.

Firm and Background

- The Firm was founded in 1993 by Peter Joost as one of the first private equity firms based in China. Joost retired in 2008 and transferred leadership responsibilities to Gabriel Li.
- Orchid Asia has raised eight funds in total, six of which are China-focused.
- Today, the Firm has approximately \$6.8 billion of AUM and employs 37 professionals across four offices in China.

Investment Strategy

- The Fund will seek out mostly minority stakes in high quality Chinese businesses with strong barriers to entry.
- Targeted sectors include branded consumer products/services, retail, healthcare, TMT, and specialty manufacturing.
- Strong focus on partnering with competent existing management teams.

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.

ARTICLE III. BOARD INVESTMENT POLICIES

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	<ul style="list-style-type: none"> • Select Private Equity Consultant. • Approve asset class funding level. • Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges. 	<ul style="list-style-type: none"> • In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. 	<ul style="list-style-type: none"> • Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Investment Selection	<ul style="list-style-type: none"> Review investment analysis reports. Review and approve investments in new partnerships of amounts greater than \$50 million prior to investment. Review and approve investments in follow-on partnerships of amounts greater than \$100 million prior to investment. Review and approve direct co-investment opportunities that exceed \$50 million. Review and approve the sale of any one existing partnership fund on the secondary market exceeding \$50 million in Fair Market Value. Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure. 	<ul style="list-style-type: none"> Refer investments and forward to Private Equity Consultant for preliminary screening. Conduct meetings with prospective or existing general partners representing new investment opportunities. Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer. 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. 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. In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including \$50 million. 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. General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing. Ensure review of relevant fund documents by the City Attorney and/or external legal counsel. 	<ul style="list-style-type: none"> Conduct appropriate analysis and due diligence on investments. Prepare investment reports for Board consideration on investments exceeding \$50 million for new managers, or exceeding \$100 million in follow-on funds. 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. With Staff concurrence, approve direct co-investment opportunities up to and including \$50 million. 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. 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). Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence. Coordinate meetings with general partners at the request of Staff. Advise on and negotiate investment terms.

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Investment Monitoring	<ul style="list-style-type: none"> Review quarterly, annual, and other periodic monitoring reports and plans. Review Commitment Notification Reports. 	<ul style="list-style-type: none"> Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant. Conduct meetings with existing managers periodically. Attend annual partnership meetings when appropriate. Fund capital calls and manage distributions. Review Private Equity Consultant's recommendations on partnership amendments and consents. Execute partnership amendments and consents. Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence. Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s). Prepare Commitment Notification Reports for Board. 	<ul style="list-style-type: none"> Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio. Recommend amendments and consents to Staff for approval. Provide quarterly, annual, and other periodic monitoring reports and plans.



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

MEETING: AUGUST 24, 2021

ITEM: X - G

Neil M. Guglielmo

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$50 MILLION IN ICG STRATEGIC EQUITY FUND IV LP

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$50 million in ICG Strategic Equity Fund IV LP.

Executive Summary

ICG Strategic Equity Fund IV LP will focus on GP-led transactions in the secondary private equity market.

Discussion

Consultant Recommendation

Aksia TorreyCove Partners LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$50 million in ICG Strategic Equity Fund IV, LP (the Fund), a private equity secondary fund managed by Intermediate Capital Group (ICG or the GP). Fund management and incentive fees are comparable to similar strategies; the GP will invest alongside limited partners, providing alignment of interests. The recommendation is consistent with the Private Equity Program 2021 Strategic Plan adopted by the Board on November 24, 2020.

Background

ICG was founded in London in 1989, and as of March 31, 2021, it has \$56.2 billion of AUM and 470 employees in 14 countries. The ICG Strategic Equity Platform was launched to focus solely on GP-led secondaries transactions. The team, led by Andrew Hawkins, Christophe Browne and Ricardo Lombardi, consists of 17 dedicated investment professionals with offices in New York and London.

ICG is a new general partner relationship for LACERS.

Investment Thesis

The Fund will target GP-led transactions emphasizing single asset continuation vehicles, fund restructures, and opportunistically targeting direct portfolios, GP spinouts, and single asset co-

investments. Secondary private equity transactions in the classical sense involve the transfer of ownership of a single LP interest in a private fund. In a “GP-led secondary” transaction, the GP proposes to transfer all or a portion of the assets managed by an existing fund into a new “continuation” fund that will be managed by the same private equity sponsor. This provides existing LPs with optional early liquidity or alternatively to continue their ownership of the assets transferred to the continuation vehicle. ICG will seek compelling opportunities in the GP-led secondary market by leveraging their pure-play experience. The Fund will be diversified in terms of sector and vintage, but will be mainly concentrated in North America and Europe.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in ICG Strategic Equity 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

Aksia LLC

ICG Strategic Equity Fund IV LP
Investment Notification



www.aksia.com

ICG Strategic Equity Fund IV LP

General Partner	• Intermediate Capital Group PLC
Fund	• ICG Strategic Equity Fund IV LP
Firm Founded	• 1989
Strategy	• PE Secondary
Sub-Strategy	• GP-led
Geography	• Primarily North America and Europe
Team	• ~18 dedicated investment professionals
Senior Partners	• Andrew Hawkins, Christophe Browne, Ricardo Lombardi
Office Locations	• New York and London
Industries	• Generalist
Target Fund Size	• \$5.0 billion
LACERS Investment	• \$50.0 million

Investment Highlights

- Private equity secondaries arm of a well-established platform. The Firm operates out of 14 offices worldwide and has 233 operational and support professionals the platform can draw upon.
- Experienced and cohesive team; the three managing directors have worked together since 2007 and bring a combined 74+ years of private equity experience.
- Consistent strong returns with low loss ratios.
- Consistent strategy that is focused on a growing segment of the market.

ICG Strategic Equity Fund IV LP

Firm and Background

- ICG was established in London in 1989 to focus on European subordinated debt, only making investments using its own balance sheet capital for the first five years following inception.
- Starting in 1994, the Firm began investing and managing third party capital through managed investment accounts. In the same year, the Firm listed on the London Stock Exchange under the ticker symbol “ICP”.
- In 2014, the Strategic Equity platform was launched to focus solely on GP-led transactions. Andrew Hawkins, Christophe Browne, and Ricardo Lombardi joined ICG in conjunction with the closing of Diamond Castle, a \$300.0 million transaction which was funded by ICG’s balance sheet at closing and subsequently syndicated to ICGSE’s Fund I and Fund II.

Investment Strategy

- Fund IV will target GP-led transactions emphasizing single asset continuation vehicles, fund restructures, and opportunistically targeting direct portfolios, GP spinouts, and single asset co-investments.
- The Fund will seek to invest between \$100.0 million to \$750.0 million in 10 to 14 transaction that will be diversified across sector, geography, and vintage year. However, the Fund will be relatively more concentrated with approximately 50 to 60 underlying portfolio companies, compared to other secondary funds that often have exposure to over 2,000 underlying companies.
- The Fund will only complete transactions where there exists strong alignment with the incumbent GP and the manager is viewed as a buyer of the assets, rather than a seller.

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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.

ARTICLE III. BOARD INVESTMENT POLICIES

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	<ul style="list-style-type: none"> • Select Private Equity Consultant. • Approve asset class funding level. • Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges. 	<ul style="list-style-type: none"> • In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. 	<ul style="list-style-type: none"> • Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Investment Selection	<ul style="list-style-type: none"> Review investment analysis reports. Review and approve investments in new partnerships of amounts greater than \$50 million prior to investment. Review and approve investments in follow-on partnerships of amounts greater than \$100 million prior to investment. Review and approve direct co-investment opportunities that exceed \$50 million. Review and approve the sale of any one existing partnership fund on the secondary market exceeding \$50 million in Fair Market Value. Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure. 	<ul style="list-style-type: none"> Refer investments and forward to Private Equity Consultant for preliminary screening. Conduct meetings with prospective or existing general partners representing new investment opportunities. Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer. 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. 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. In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including \$50 million. 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. General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing. Ensure review of relevant fund documents by the City Attorney and/or external legal counsel. 	<ul style="list-style-type: none"> Conduct appropriate analysis and due diligence on investments. Prepare investment reports for Board consideration on investments exceeding \$50 million for new managers, or exceeding \$100 million in follow-on funds. 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. With Staff concurrence, approve direct co-investment opportunities up to and including \$50 million. 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. 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). Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence. Coordinate meetings with general partners at the request of Staff. Advise on and negotiate investment terms.

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Investment Monitoring	<ul style="list-style-type: none"> Review quarterly, annual, and other periodic monitoring reports and plans. Review Commitment Notification Reports. 	<ul style="list-style-type: none"> Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant. Conduct meetings with existing managers periodically. Attend annual partnership meetings when appropriate. Fund capital calls and manage distributions. Review Private Equity Consultant's recommendations on partnership amendments and consents. Execute partnership amendments and consents. Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence. Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s). Prepare Commitment Notification Reports for Board. 	<ul style="list-style-type: none"> Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio. Recommend amendments and consents to Staff for approval. Provide quarterly, annual, and other periodic monitoring reports and plans.



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

MEETING: AUGUST 24, 2021

ITEM: X - H

Neil M. Guglielmo

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$20 MILLION IN AVANCE INVESTMENT PARTNERS, L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$20 million in Avance Investment Partners, L.P.

Executive Summary

Avance Investment Partners, L.P. will focus on control-oriented lower middle market buyout investments in the consumer and business services sectors.

Discussion

Consultant Recommendation

Aksia TorreyCove Partners LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$20 million in Avance Investment Partners, L.P. (the Fund), a lower middle market buyout fund managed by Avance Investment Management (Avance or the GP). Fund management and incentive fees are comparable to similar strategies; the GP will invest alongside limited partners, providing alignment of interests. The recommendation is consistent with the Private Equity Program 2021 Strategic Plan adopted by the Board on November 24, 2020.

Background

Avance was founded in May 2020 by David Perez, Luis Zaldivar, and Erik Scott to pursue lower middle market buyout investments in the consumer and business services sectors. Prior to forming Avance, the three co-founders worked together at Palladium Equity Partners (Palladium) where they successfully pursued a similar investment strategy. Avance is comprised of eight investment professionals and maintains offices in New York and Miami.

Avance 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

The Fund will employ a similar investment strategy successfully implemented by the co-founders during their time at Palladium. Avance will pursue control-oriented investments in family- and founder-owned companies operating in fragmented industries. To that end, Avance will employ a thematic approach to identifying opportunities and primarily target lower middle market businesses led by Hispanic founders or expected to benefit from growth in the U.S. Hispanic market. The Fund will focus on opportunities in North America.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in Avance Investment Partners, 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

Aksia LLC

Avance Investment Partners, L.P.
Investment Notification



www.aksia.com

Avance Investment Partners, L.P.

General Partner	• Avance Investment Management (the “Firm”)
Fund	• Avance Investment Partners, L.P. (the “Fund”)
Firm Founded	• May 2020
Strategy	• U.S. Buyouts
Sub-Strategy	• U.S. Lower Middle Market Buyout
Geography	• North America
Team	• Eight investment and origination professionals with two more joining in August 2021
Senior Partners	• David Perez and Luis Zaldivar (Managing Partners), Erik Scott and Gretchen Perkins (Partners)
Office Locations	• New York, NY and Miami, FL
Industries	• Business services and consumer
Target Fund Size	• \$500.0 million target; \$1.0 billion hard cap
LACERS Investment	• \$20.0 million

Investment Highlights

- Experienced and cohesive team of senior investment professionals that worked together for nearly 16 years on average at their prior organization.
- The investment team will be augmented by several support functions that include a dedicated origination team, a Director of Research, and Avance’s senior advisory network.
- Avance will utilize a similar investment strategy that was successfully pursued by the Firm’s Co-Founders at their prior organization.

Avance Investment Partners, L.P.

Firm and Background

- Avance was founded in May of 2020 by David Perez, Luis Zaldivar, and Erik Scott to pursue lower middle market buyout investments in the consumer and business services sectors.
- Prior to forming Avance, the Co-Founders worked together for an average of 15.7 years at Palladium Equity Partners where they pursued a similar investment strategy.
- The Firm is currently comprised of eight professionals that include the three Co-Founders, a Partner dedicated to origination, a Principal, a Vice President, and two Associates.

Investment Strategy

- The Fund will pursue control-oriented investments in family- and founder-owned companies operating in fragmented industries, particularly within the consumer and business services sectors.
- Similar to their prior organization, the Co-Founders will emphasize businesses led by Hispanic founders or expected to benefit from growth of the U.S. Hispanic market.
- The Fund will target 10 platform investments with enterprise values between \$50.0 million and \$250.0 million. Investments will typically require between \$25.0 million and \$125.0 million of equity.
- Avance will seek to transform target portfolio companies with leadership gaps, growth constraints, or succession planning issues, into professional enterprises that may be attractive to strategic acquirers. The Firm will supplement organic growth with add-on acquisitions through a buy-and-build strategy.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE.

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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.

ARTICLE III. BOARD INVESTMENT POLICIES

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	<ul style="list-style-type: none"> • Select Private Equity Consultant. • Approve asset class funding level. • Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges. 	<ul style="list-style-type: none"> • In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. 	<ul style="list-style-type: none"> • Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Investment Selection	<ul style="list-style-type: none"> Review investment analysis reports. Review and approve investments in new partnerships of amounts greater than \$50 million prior to investment. Review and approve investments in follow-on partnerships of amounts greater than \$100 million prior to investment. Review and approve direct co-investment opportunities that exceed \$50 million. Review and approve the sale of any one existing partnership fund on the secondary market exceeding \$50 million in Fair Market Value. Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure. 	<ul style="list-style-type: none"> Refer investments and forward to Private Equity Consultant for preliminary screening. Conduct meetings with prospective or existing general partners representing new investment opportunities. Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer. 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. 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. In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including \$50 million. 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. General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing. Ensure review of relevant fund documents by the City Attorney and/or external legal counsel. 	<ul style="list-style-type: none"> Conduct appropriate analysis and due diligence on investments. Prepare investment reports for Board consideration on investments exceeding \$50 million for new managers, or exceeding \$100 million in follow-on funds. 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. With Staff concurrence, approve direct co-investment opportunities up to and including \$50 million. 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. 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). Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence. Coordinate meetings with general partners at the request of Staff. Advise on and negotiate investment terms.

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Investment Monitoring	<ul style="list-style-type: none"> Review quarterly, annual, and other periodic monitoring reports and plans. Review Commitment Notification Reports. 	<ul style="list-style-type: none"> Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant. Conduct meetings with existing managers periodically. Attend annual partnership meetings when appropriate. Fund capital calls and manage distributions. Review Private Equity Consultant's recommendations on partnership amendments and consents. Execute partnership amendments and consents. Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence. Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s). Prepare Commitment Notification Reports for Board. 	<ul style="list-style-type: none"> Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio. Recommend amendments and consents to Staff for approval. Provide quarterly, annual, and other periodic monitoring reports and plans.