



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



Board of Administration Agenda

REGULAR MEETING

TUESDAY, SEPTEMBER 28, 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 September 28, 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 (253) 215-8782

Meeting ID# 884 6916 4058

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 AUGUST 24, 2021 AND POSSIBLE BOARD ACTION](#)
- III. BOARD PRESIDENT VERBAL REPORT
- IV. GENERAL MANAGER VERBAL REPORT
 - A. REPORT ON DEPARTMENT OPERATIONS
 - B. UPCOMING AGENDA ITEMS
- V. RECEIVE AND FILE ITEMS
 - A. [MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR AUGUST 2021](#)
- VI. COMMITTEE REPORT(S)
 - A. INVESTMENT COMMITTEE VERBAL REPORT FOR THE MEETING ON SEPTEMBER 14, 2021
- VII. BENEFITS ADMINISTRATION
 - A. [REVISED 2022 MAXIMUM MEDICAL SUBSIDY AND MEDICAL PREMIUM REIMBURSEMENT PROGRAM MAXIMUM REIMBURSEMENT AMOUNTS AND POSSIBLE BOARD ACTION](#)
- VIII. BOARD/DEPARTMENT ADMINISTRATION
 - A. [ASSUMPTIONS FOR JUNE 30, 2021 RETIREE HEALTH ACTUARIAL VALUATION AND POSSIBLE BOARD ACTION](#)
 - B. [PROPOSED REVISION TO THE MARKETING CESSATION POLICY AND POSSIBLE BOARD ACTION](#)
- IX. DIVISION SPOTLIGHT
 - A. [HEALTH ADVOCACY UNIT SPOTLIGHT](#)
- X. INVESTMENTS
 - A. CHIEF INVESTMENT OFFICER VERBAL REPORT
 - B. [PRIVATE EQUITY PACING IMPLEMENTATION PLAN AND POSSIBLE BOARD ACTION](#)
 - C. [THE INVESTOR AGENDA'S 2021 GLOBAL INVESTOR STATEMENT TO GOVERNMENTS ON CLIMATE CRISIS AND POSSIBLE BOARD ACTION](#)

- D. [INSTITUTIONAL LIMITED PARTNERS ASSOCIATION'S SUPPORT OF U.S. SECURITIES AND EXCHANGE COMMISSION'S RULE REGARDING FEE TRANSPARENCY OF PRIVATE FUND INVESTMENTS AND POSSIBLE BOARD ACTION](#)

XI. LEGAL/LITIGATION

- A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(A) AND (D)(1) TO CONFER WITH, AND/OR RECEIVE ADVICE FROM, LEGAL COUNSEL REGARDING PENDING LITIGATION IN THE CASE ENTITLED IN RE: TRIBUNE COMPANY FRAUDULENT CONVEYANCE LITIGATION (CASE NO. 11-MD-02296)**

XII. OTHER BUSINESS

- XIII. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, October 12, 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.

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
August 24, 2021, meeting was conducted
via telephone and/or videoconferencing.

Agenda of: Sept. 28, 2021

Item No: II

August 24, 2021

10:00 a.m.

PRESENT via Videoconferencing: 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
Legal Counselor:	Anya Freedman
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 JULY 27, 2021 AND POSSIBLE BOARD ACTION – Commissioner Elizabeth Lee moved approval, seconded by Commissioner Serrano, 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 encouraged all to get vaccinated.

IV

GENERAL MANAGER VERBAL REPORT

- A. REPORT ON DEPARTMENT OPERATIONS – Neil M. Guglielmo, General Manager, advised the Board of the following items:
- City Vaccination Requirement
 - In-Person Appointments
 - Retirement Application Portal
 - Kick-Off of Annual Valuation Preparations
 - Year-End Financial Audit
 - Annual Report of City Employees Eligible to Retire
 - Benefit Payroll Stats
 - Member Communications Statistics
 - Member Events
- B. UPCOMING AGENDA ITEMS – Neil M. Guglielmo, General Manager, advised the Board of the following items:
- September 14th – Board Meeting – Health Plan 2020 Year-End Accounting and Premium Reserve Policy Revisions; Several proposed Board Rules on the Larger Annuity, Service Purchases, and Disability Retirement Programs
- C. HEADQUARTERS PROJECT UPDATE – This item was not discussed.
- D. RECOGNITION OF SERVICE FOR LINDA APARICIO – President Ruiz, Neil M. Guglielmo, General Manager, Commissioners, and staff congratulated and recognized Linda Aparicio, Public Information Director I, for her service to the City of Los Angeles and LACERS. Ms. Aparicio shared her thoughts and thanked the Commissioners and staff for their support.

V

RECEIVE AND FILE ITEMS

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

VI

COMMITTEE REPORT(S)

- A. INVESTMENTS COMMITTEE VERBAL REPORT FOR THE MEETING ON AUGUST 10, 2021 – Vice President Sohn reported that the Committee was presented with a presentation by Lazard Asset Management LLC, the Annual Report on LACERS Emerging Investment Manager Program, and approved the Asset Allocation and Performance Reports for posting on LACERS website.
- B. GOVERNANCE COMMITTEE VERBAL REPORT FOR THE MEETING ON AUGUST 24, 2021 – Commissioner Serrano reported that the Committee was presented, and then discussed and approved the proposed revisions to the Marketing Cessation Policy.

VII

BOARD/DEPARTMENT ADMINISTRATION

- A. GENERAL MANAGER DESIGNEE SIGNATURE AUTHORITY AND POSSIBLE BOARD ACTION – Commissioner Wilkinson moved approval of the following Resolution:

SIGNATURE AUTHORITY FOR GENERAL MANAGER DESIGNEES

RESOLUTION 210824-A

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 Avanessian
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

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

VIII

BENEFITS ADMINISTRATION

- A. 2022 MAXIMUM MEDICAL AND DENTAL PLAN PREMIUM SUBSIDIES AND POSSIBLE BOARD ACTION – Bruce Bernal, Senior Benefits Analyst II, presented and discussed this item with the Board for 15 minutes. Commissioner Wilkinson moved approval of the following Resolution:

MAXIMUM HEALTH PLAN SUBSIDIES AND REIMBURSEMENT AMOUNTS FOR PLAN YEAR 2022

RESOLUTION 210824-B

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

Which motion was 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.

Item VII-B was taken out of order.

VII

- B. OPTION TO AMORTIZE UNFUNDED ACTUARIAL ACCRUED LIABILITY FOR RETIREE HEALTH PLAN AND POSSIBLE BOARD ACTION – Todd Bouey, Executive Officer, Paul Angelo, and Andy Yeung, Actuaries with Segal Consulting, presented and discussed this item with the Board for 25 minutes. After discussion, Commissioner Elizabeth Lee moved approval with no phase in approach, seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, Vice President Sohn, and President Ruiz -7; Nays, None.

IX

RETIREMENT SERVICES

- A. CONTRACT AWARD RECOMMENDATION FOR INVESTIGATIVE SERVICES AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval of the following Resolution:

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

RESOLUTION 210824-C

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 TRUIVIEW 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.

Which motion was 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.

X

INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value of \$23.7 billion as of August 23, 2021. Mr. June discussed the following items:
 - Axiom Investors, LLC, an emerging markets growth manager already on watch for performance, announced the pending departure of its president
 - Staff will work to place on LACERS website the new Asset Allocation and Performance Reports
 - Staff continues to work on the Responsible Investment Policy, Unique Opportunities Investment Policy, and revisions to the Rebalancing Policy
 - The Investor Agenda Letter – 2021 Global Investor Statement to Governments on the Climate Crises
 - Emerging Manager Symposium planned for October 20th led by Investment Officer II Barbara Sandoval
 - Future Agenda Items: Total Fund Performance for Fiscal Year ending June 30, 2021 and discussion of Asset Class Target Policy Ranges
- B. INVESTMENT MANAGER SEARCH FOR PASSIVE U.S., NON-U.S., AND GLOBAL INDEX STRATEGIES AND POSSIBLE BOARD ACTION – Vice President Sohn 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.
- C. REAL ESTATE CONSULTANT REQUEST FOR PROPOSAL AND POSSIBLE BOARD ACTION – Rod June, Chief Investment Officer and Wilkin Ly, Investment Officer III, presented and discussed this item with the Board for 15 minutes. Commissioner Wilkinson moved approval, seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, Vice President Sohn, and President Ruiz -7; Nays, None.
- D. NOTIFICATION OF COMMITMENT OF UP TO \$40 MILLION IN HELLMAN & FRIEDMAN CAPITAL PARTNERS X, L.P. – This report was received by the Board and filed.

- E. NOTIFICATION OF COMMITMENT OF UP TO \$60 MILLION IN TA XIV-A, L.P. – This report was received by the Board and filed.
- F. NOTIFICATION OF COMMITMENT OF UP TO \$50 MILLION IN ORCHID ASIA VIII, L.P. – This report was received by the Board and filed.
- G. NOTIFICATION OF COMMITMENT OF UP TO \$50 MILLION IN ICG STRATEGIC EQUITY FUND IV LP – This report was received by the Board and filed.
- H. NOTIFICATION OF COMMITMENT OF UP TO \$20 MILLION IN AVANCE INVESTMENT PARTNERS, L.P. – This report was received by the Board and filed.

President Ruiz recessed the Regular Meeting at 11:35 a.m. to convene in Closed Session discussion.

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**

President Ruiz reconvened the Regular Meeting at 12:16 p.m.

XII

OTHER BUSINESS – There was no 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 – There being no further business before the Board, President Ruiz adjourned the Meeting at 12:19 p.m.

Cynthia M. Ruiz
President

Neil M. Guglielmo
Manager-Secretary

Agenda of: SEPT. 28, 2021

Item No: V-A

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

Neil M. Guglielmo

MEETING: SEPTEMBER 28, 2021
ITEM: VII-A

SUBJECT: REVISED 2022 MAXIMUM MEDICAL SUBSIDY AND MEDICAL PREMIUM REIMBURSEMENT PROGRAM MAXIMUM REIMBURSEMENT AMOUNTS AND POSSIBLE BOARD ACTION

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

Recommendation

That the Board approve the revised 2022 maximum medical plan premium subsidy and Medical Premium Reimbursement Program maximum reimbursement amount of \$1,884.50 for Tier 1 Discretionary and Vested retired Members who are under age 65 or enrolled in only Medicare Part B.

Executive Summary

This report is being presented to correct an error in the August 24, 2021 Board report regarding the 2022 maximum medical plan premium subsidy and Medical Premium Reimbursement Program maximum reimbursement amount for Tier 1 Discretionary and Vested retired Members who are under age 65 or only enrolled in Medicare Part B.

Discussion

The August 24, 2021 Board report titled 2022 MAXIMUM MEDICAL AND DENTAL PLAN PREMIUM SUBSIDIES AND POSSIBLE COMMITTEE ACTION contained an error in the calculation of the maximum medical plan premium subsidy and Medical Premium Reimbursement Program (MPRP) maximum reimbursement amounts.

For Tier 1 Discretionary Members (who retired prior to July 1, 2011), the Board has the authority to increase the under 65/Medicare Part B Only maximum medical subsidy by the amount of the increase in the Kaiser Permanente (Kaiser) HMO two-party premium. Tier 1 Vested Members (who retired on/after July 1, 2011 and made additional contributions to LACERS) are entitled to an increase in the maximum subsidy equivalent to the increase in the Kaiser HMO two-party premium. The MPRP maximum reimbursement amount is set similarly to the maximum medical subsidies.

Due to staff error, the recommended maximum medical subsidy and MPRP reimbursement maximum was set at the 2022 Kaiser premium of \$1,800.48. The 2022 Kaiser HMO two-party premium increased

by \$93.70, which should have been added to the current maximum subsidy of \$1,790.80, resulting in a 2022 maximum medical subsidy and MPRP maximum reimbursement recommendation of \$1,884.50, which is well within the Administrative Code constraints regarding subsidy increases.

Some of the attachments from the previous Board and Benefits Administration Committee reports are not included with this report as they are not critical to the revised recommendation.

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: Alex Rabrenovich, Chief Benefits Analyst

NMG/DW:ar

Attachments: 1. August 24, 2021 Board report, with tracked corrections
2. August 10, 2021 Benefits Administration Committee report, with tracked changes
3. LACERS Medical Plan Premium Subsidy for Tier 1 Discretionary Members
4. Revised Board resolution



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

BOARD Meeting: 09/28/2021
Item VII-A
Attachment 1



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

MEETING: AUGUST 24, 2021
ITEM: VIII-A

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~~ \$1,884.50 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~~ \$1,884.50 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



LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

BOARD Meeting: 09/28/21
Item VII-A
Attachment 2



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~~ \$1,884.50, 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~~ \$1,884.50 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 by \$93.70, from ~~\$1,790.80~~ ~~\$1,706.78~~ to \$1,800.48, so staff recommends that the maximum subsidy be set at \$1,800.48 increased from \$1,790.80 to \$1,884.50 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~~ \$1,884.50, 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

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.

**MAXIMUM HEALTH PLAN SUBSIDIES AND REIMBURSEMENT AMOUNTS
FOR PLAN YEAR 2022 - REVISED**

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 what 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 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;

WHEREAS, on September 28, 2021, the Board approved a revised recommendation for the 2022 maximum medical premium plan subsidy and Medical Premium Reimbursement Program maximum reimbursement amount for Tier 1 Discretionary and Vested retired Members under age 65 or enrolled in only Medicare Part B;

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	\$1,884.50	\$1,884.50	-
Retiree MPRP Reimbursement, <65/Medicare Part B	\$1,884.50	\$1,884.50	-
Retiree MPRP Reimbursement, Medicare Parts A and B	\$494.67	\$494.67	\$494.67
Retiree Dental Subsidy	\$44.60	\$44.60	\$44.60

September 28, 2021



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

MEETING: SEPTEMBER 28, 2021

ITEM: VIII-A

Neil M. Guglielmo

SUBJECT: ASSUMPTIONS FOR THE JUNE 30, 2021 RETIREE HEALTH ACTUARIAL VALUATION AND POSSIBLE BOARD ACTION

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

Recommendation

That the Board adopt the attached actuarial assumptions for the June 30, 2021 Retiree Health Actuarial Valuation as recommended by LACERS' consulting actuary, Segal.

Executive Summary

Segal reviews the assumptions used for LACERS' health actuarial valuation annually due to the dynamic nature of healthcare costs, as opposed to economic (such as the investment rate of return) and demographic assumptions (such as the mortality rates) which are generally reviewed and updated every three years based on the results of the Triennial Experience Study. Attached for the Board's consideration are the recommended assumptions for the medical trend, per capita costs, and other health-specific assumptions to be applied in the June 30, 2021 Retiree Health Actuarial Valuation.

Discussion

The recommended per capita costs assumption for plan year 2021-2022 combine the calendar year 2022 medical and dental premium rates (proposed to be approved by the Board on the September 28, 2021 Board of Administration agenda) with the 2021 calendar year rates. Medical rates (but not dental or Medicare Part B) will then be adjusted by factors specific to age, gender, and spousal status. The medical trend is applied to the per capita costs to project future healthcare costs. Segal's recommended first-year trend rate (used to project 2022 calendar year premiums to 2023) for Medicare plans is set at 6.50%, while the non-Medicare plans rate is set at 7.50%; these updated first-year rates reflect an increase in expected healthcare cost trend. The first-year rates are graded down by 0.25% each year until reaching an ultimate rate of 4.50%, unchanged from last year. Dental trend assumptions remain at 4.00% and the Medicare Part B trend assumptions remain at 4.50%, applied for all years. Also included in Segal's report are per capita health care costs and increases in future health subsidy maximums which are factored consistent with previous valuation practice. Other assumptions are consistent with the economic and demographic assumptions adopted by the Board as part of the July 1, 2016 to June 30, 2019 Experience Study.

Strategic Plan Impact Statement

The Board's action on this item aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty. Paul Angelo and Andy Yeung of Segal will present the recommended health assumptions.

Prepared By: Alexander Lombardo, Benefits Analyst

NMG/TB/EA/al

Attachments: Segal Recommendation Letter dated September 21, 2021



Via Email

September 21, 2021

Mr. Neil Guglielmo
General Manager
Los Angeles City Employees' Retirement System
202 West First Street, Suite 500
Los Angeles, CA 90012-4401

**Re: Los Angeles City Employees' Retirement System
Assumptions Recommended for the
June 30, 2021 Retiree Health Actuarial Valuations**

Dear Neil:

We have provided in this letter the health care related actuarial assumptions that we recommend to the Board for use in the June 30, 2021 retiree health valuations for funding and financial reporting.

The health care trend assumptions used in the health valuations are reviewed annually. Every year Segal publishes a set of health care trend assumptions based on the latest research and information available to our health actuaries. The health care trend assumptions take into account factors such as recent and expected premium increases affecting our clients, changes in utilization of health care and cost shifting from Medicare.

Other assumptions such as the proportion of members expected to be covered by each health benefit provider (e.g. Kaiser, etc.) can sometimes be volatile due to the dynamic nature of the health care market place. That projection is typically based on the enrollment experience among the current retirees during the most recent annual open enrollment.

Following are our recommended assumptions for the June 30, 2021 health plan valuations:

1. Health care trend assumptions – The detailed health care trend assumptions we are recommending are outlined in Item 1 of the Attachment.
 - For non-Medicare plans, we are recommending first-year trend¹ be updated to 7.50%, then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after twelve years.

¹ The first-year trend will be used to project 2022 calendar year premiums to calendar year 2023.

- For Medicare plans, we are recommending the first-year trend rate be updated to 6.50%, then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after eight years.
- We recommend the dental trend assumptions remain at 4.00%.
- We recommend the Medicare Part B trend assumptions remain at 4.50%, to be applied to premiums after 2021-2022 and all future years, based on updated information from the Centers for Medicare & Medicaid Services (CMS) relating to expectations for ultimate Medicare trend and Congressional Budget Office (CBO) trustee reports.

Setting the medical trends begins with selecting the first-year increase, and then selecting a step for grading down the trends over several years to an ultimate long-term trend. We select first-year trends to project the first-year premiums and subsidies to the following year. In developing first-year health care trend assumptions, a mix of health industry expectations and plan specific information is used as follows.

- a. Segal's National Health Care Practice develops trend standards each year. The methodology utilizes data from our annual Segal Health Plan Cost Trend Survey of insurers, pharmacy benefit managers (PBMs), and managed care organizations. An analysis of historic trend was performed to evaluate the differences in projected trend vs. actual. The methodology looked at variation of actual results and fitted them to the differences between actual and projected trend.
- b. Segal's National Health Care Practice then publishes its internal standards for use by its health actuaries and consultants. These internal standards cover a variety of benefits (e.g. medical, dental, vision) and plan design types (e.g. PPO, HMO). Unlike Segal's annual trend survey, which displays averages of the survey results, the trend standards provide ranges of acceptable assumptions.
- c. For retiree health valuations, without additional information, we would choose a first-year trend in the middle of the range provided in the Segal trend standards. If any additional information from the client or its health consultant is available, Segal may consider that information when setting the first-year trend.
- d. Retiree health care valuations typically project benefit payments far into the future (as far as 80 years). Segal's Office of the Chief Actuary has provided standards on trends in the years following the first year of projection. Trend for each year is to decrease until it reaches an ultimate trend rate.

There are alternative actuarial models used by other actuaries to project future medical trend assumptions and one of those is called the Getzen Model. As we pointed out in response to a suggestion made earlier by LACERS' actuarial auditor to apply that model in studying the medical trend assumptions, there are some other hypothetical assumptions that need to be made (such as real per capita GDP growth, excess medical cost growth, and capacity constraints on health costs with respect to GDP) before that model can be applied. We would be glad to further explore the pros and cons of that alternative model (including the contribution rate impact) if the Board were to authorize such analysis before LACERS chooses the medical trend assumptions for use in a future valuation.

2. Note on Premium Renewals and Health Care Trend Assumptions – Health care trend assumptions take into account factors such as recent and expected premium increases, changes in utilization of health care and cost shifting from Medicare. While there is often a high correlation between a trend rate and the actual cost increase assessed by a carrier, trend rates and the actual net annual change in plan costs (and thus premiums) can also differ substantially. A plan sponsor's costs/premiums can be significantly different from projected claims cost trends due to diverse factors ranging from group demographics, plan design, claim volatility and underwriting cycles. Carrier actions to gain market share along with healthcare marketplace events and subsequent impacts on access and cost of care (i.e., provider consolidations, mandated benefits, pent up demand and severity due to prior lack of access) and the impact of ACA fees are additional factors that influence short-term premiums though they may not necessarily reflect the cost trend assumptions used in an actuarial valuation. For example, a cycle of favorable experience used in the rate setting basis can reduce the claim portion of the premium but that does not mean that the future costs will follow that pattern.
3. Per Capita Health Care Costs – These costs are used to project the premiums for current active members when they retire. Based on the percentage of retired members, spouses and beneficiaries electing health coverage, and the proportion of members enrolled in each available medical plan, we have developed the per capita health premium costs to cover a member in the 2021-2022 fiscal year as provided in Items 2(b) and 2(d) of the Attachment. Note there are three small plans (SCAN, UHC Medicare Advantage HMO for Arizona and Nevada) offered by LACERS that are not included in Item 2(d) because we assume a 0% participation rate for each of those plans. On average, their premiums are close to the UHC California Medicare Advantage plan.

Based on the June 30, 2021 membership data, we have provided the observed and assumed election rates among the different medical plans in Items 2(b) and 2(d) of the Attachment.

The per capita costs for members subject to the retiree medical subsidy cap are provided in Item 2(e) of the Attachment.

In accordance with Actuarial Standard of Practice (ASOP) No. 6, *Measuring Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions*, we will continue to value health care costs by adjusting premiums using age-specific factors. Those age-specific factors will be provided in our June 30, 2021 valuation report once the membership data provided for use in the June 30, 2021 valuation is finalized. It should be noted though that when those age-specific factors are presented in our June 30, 2021 valuation report, we will continue to display them separately from the per capita health premium costs provided in Items 2(b) and 2(d) of the Attachment.

The per capita costs for the dental plan that we will use for the June 30, 2021 valuation are provided in Item 2(f) of the Attachment.

The per capita costs for Medicare Part B that we will use for the June 30, 2021 valuation are provided in Item 2(g) of the Attachment.

Medical Premium Reimbursement Program (MPRP) – Certain eligible participants may elect to receive a medical subsidy towards the premium of a chosen plan.

Due to the low number electing the MPRP subsidy (1% of current retirees), we have assumed that no future retirees elect this subsidy. For current retirees, we will value the reimbursement reported in the data, assumed to increase with medical trend.

4. Increase in Future Health Subsidy Maximums – Consistent with our previous valuation practice, we will continue to assume that the Board's health subsidy will increase at the same rate as the long-term health trend, for retired members and their qualified survivors, who retired before July 1, 2011. (Although subject to slightly different provisions, members who retired on or after July 1, 2011 will have the same subsidy increase assumption applied to them.)

It should be noted that in our valuation we do not reflect the other potential limit on health subsidy increase in Sec. 4.1111(b) of the Administrative Code which references the average subsidy increase for the upcoming year under consideration and the actual subsidy increases for the preceding two years because our health trend is intended to reflect overall experience in the long run.

5. Other Assumptions and methods – The other demographic and economic assumptions and methods will be consistent with those approved by the Board based on July 1, 2016 to June 30, 2019 triennial experience study. As part of the recommendations in this year's assumptions letter, we are recommending that in the future all of the demographic assumptions under items 3 (h), (i), and (j) be reviewed (and updated if necessary) as part of the triennial experience study (rather than annually) so as to provide more stability to the actuarial assumptions used to calculate liabilities and set the contribution rates for the health plans. These assumptions include spouse/domestic partner demographic assumptions, and retiree medical and dental coverage election percentages.

IMPACT OF CORONAVIRUS (COVID-19)

The Coronavirus (COVID-19) pandemic has had a significant impact on the US economy, including most retiree health plans, and will likely continue to have an impact in the future. Our assumptions do not include the impact of the following:

- Changes in interest rates since June 30, 2021
- Short-term or long-term impacts on mortality of the covered population
- The potential for federal or state fiscal relief

Each of the above factors could significantly impact the results prepared using these assumptions. The net effect of the above factors generally have not affected our assumptions for the June 30, 2021 valuation.

We look forward to discussing this letter with you. Please let us know if you have any questions.

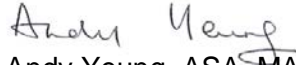
Sincerely,



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



Paul Sadro, ASA, MAAA
Senior Actuary



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



Mary Kirby, FSA, MAAA, FCA
Senior Vice President & Consulting Actuary

JAC/hy
Attachment

1. Health Care Trend Rates

MEDICAL TRENDS USED FOR THE JUNE 30, 2020 VALUATION

Trend is to be applied in following fiscal years, to all health plans.

Trend is to be applied to premium for shown fiscal year to calculate next fiscal year's projected premium.

First Fiscal Year (July 1, 2020 through June 30, 2021):

Plan	Rate (%)					
	Anthem Blue Cross PPO, Under Age 65	Anthem Blue Cross Medicare Supplement	Kaiser HMO, Under Age 65	Kaiser Senior Advantage	Anthem Blue Cross HMO, Under 65	UHC CA Medicare Advantage
Trend to be applied to 2020-2021 Fiscal Year premium	3.71	4.45	3.37	3.12	4.85	3.12

The fiscal year trend rates are based on the following calendar year trend rates:

Fiscal Year	Approximate Trend Rate (%)		Calendar Year	Trend Rate Applied to Calculate Following Year Premium (%)	
	Non-Medicare	Medicare		Non-Medicare	Medicare
2021-2022	6.62	6.12	2021	6.75 ¹	6.25 ¹
2022-2023	6.37	5.87	2022	6.50	6.00
2023-2024	6.12	5.62	2023	6.25	5.75
2024-2025	5.87	5.37	2024	6.00	5.50
2025-2026	5.62	5.12	2025	5.75	5.25
2026-2027	5.37	4.87	2026	5.50	5.00
2027-2028	5.12	4.62	2027	5.25	4.75
2028-2029	4.87	4.50	2028	5.00	4.50
2029-2030	4.62	4.50	2029	4.75	4.50
2030 and later	4.50	4.50	2030	4.50	4.50

Dental Premium Trend 4.00% for all years

Medicare Part B Premium Trend 4.50% for all years. First year trend may be adjusted to reflect actual 2021 calendar year premium if available at time of valuation.

¹ For example, the 6.75% assumption, when applied to the 2021, non-Medicare medical premiums would provide the projected 2022 non-Medicare medical premiums. This trend would also be applied to the maximum medical subsidy, based on the non-Medicare Kaiser premium.

PROPOSED MEDICAL TRENDS FOR THE JUNE 30, 2021 VALUATION

Trend is to be applied in following fiscal years, to all health plans.

Trend is to be applied to premium for shown fiscal year to calculate next fiscal year's projected premium.

First Fiscal Year (July 1, 2021 through June 30, 2022):

Plan	Rate (%)					
	Anthem Blue Cross PPO, Under Age 65	Anthem Blue Cross Medicare Supplement / Anthem Passive PPO Medicare Advantage	Kaiser HMO, Under Age 65	Kaiser Senior Advantage	Anthem Blue Cross HMO, Under 65	UHC CA Medicare Advantage
Trend to be applied to 2021-2022 Fiscal Year premium	6.06%	-3.60%	6.52%	3.25%	3.72%	3.99%

The fiscal year trend rates are based on the following calendar year trend rates:

Fiscal Year	Approximate Trend Rate (%)		Calendar Year	Trend Rate Applied to Calculate Following Year Premium (%)	
	Non-Medicare	Medicare		Non-Medicare	Medicare
2022-2023	7.37%	6.37%	2022	7.50 ¹	6.50 ¹
2023-2024	7.12%	6.12%	2023	7.25	6.25
2024-2025	6.87%	5.87%	2024	7.00	6.00
2025-2026	6.62%	5.62%	2025	6.75	5.75
2026-2027	6.37%	5.37%	2026	6.50	5.50
2027-2028	6.12%	5.12%	2027	6.25	5.25
2028-2029	5.87%	4.87%	2028	6.00	5.00
2029-2030	5.62%	4.62%	2029	5.75	4.75
2030-2031	5.37%	4.50%	2030	5.50	4.50
2031-2032	5.12%	4.50%	2031	5.25	4.50
2032-2033	4.87%	4.50%	2032	5.00	4.50
2033-2034	4.62%	4.50%	2033	4.75	4.50
2034 and later	4.50%	4.50%	2034	4.50	4.50

Dental Premium Trend 4.00% for all years

Medicare Part B Premium Trend 4.50% for all years. First year trend may be adjusted to reflect actual 2022 calendar year premium if available at time of valuation.

¹ For example, the 7.50% assumption, when applied to the 2022, non-Medicare medical premiums would provide the projected 2023 non-Medicare medical premiums. This trend would also be applied to the maximum medical subsidy, based on the non-Medicare Kaiser premium.

2. Per Capita Costs and Election Rates

(a) Per Capita Costs for the June 30, 2020 Valuation – Participant Under Age 65 or Not Eligible for Medicare A&B

2020 Calendar Year		Single Party			Married/With Domestic Partner			Eligible Survivor		
Carrier		Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy
Kaiser HMO		\$853.39	\$1,790.80	\$853.39	\$1,706.78	\$1,790.80	\$1,706.78	\$853.39	\$853.39	\$853.39
Anthem Blue Cross PPO		1,271.56	1,790.80	1,271.56	2,538.09	1,790.80	1,790.80	1,271.56	853.39	853.39
Anthem Blue Cross HMO		1,039.59	1,790.80	1,039.59	2,074.15	1,790.80	1,790.80	1,039.59	853.39	853.39

2021 Calendar Year		Single Party			Married/With Domestic Partner			Eligible Survivor		
Carrier		Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy
Kaiser HMO		\$853.39	\$1,790.80	\$853.39	\$1,706.78	\$1,790.80	\$1,706.78	\$853.39	\$853.39	\$853.39
Anthem Blue Cross PPO		1,279.79	1,790.80	1,279.79	2,554.55	1,790.80	1,790.80	1,279.79	853.39	853.39
Anthem Blue Cross HMO		1,069.58	1,790.80	1,069.58	2,134.13	1,790.80	1,790.80	1,069.58	853.39	853.39

2020-2021 Fiscal Year		Single Party			Married/With Domestic Partner			Eligible Survivor		
Carrier	Observed and Assumed Election Rate (%)	Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy
Kaiser HMO	61.5	\$853.39	\$1,790.80	\$853.39	\$1,706.78	\$1,790.80	\$1,706.78	\$853.39	\$853.39	\$853.39
Anthem Blue Cross PPO	21.6	1,275.68	1,790.80	1,275.68	2,546.32	1,790.80	1,790.80	1,275.68	853.39	853.39
Anthem Blue Cross HMO	16.9	1,054.59	1,790.80	1,054.59	2,104.14	1,790.80	1,790.80	1,054.59	853.39	853.39

- * Members who are subject to the retiree medical subsidy cap have monthly health insurance subsidy maximums fixed at the level in effect on July 1, 2011, as shown on page 12, section 2(e) of our letter dated September 15, 2020 (recommending assumptions for the June 30, 2020 Retiree Health Valuation).

(b) Per Capita Costs for the June 30, 2021 Valuation – Participant Under Age 65 or Not Eligible for Medicare A&B

2021 Calendar Year		Single Party			Married/With Domestic Partner			Eligible Survivor		
Carrier		Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy
Kaiser HMO		\$853.39	\$1,790.80	\$853.39	\$1,706.78	\$1,790.80	\$1,706.78	\$853.39	\$853.39	\$853.39
Anthem Blue Cross PPO		1,279.79	1,790.80	1,279.79	2,554.55	1,790.80	1,790.80	1,279.79	853.39	853.39
Anthem Blue Cross HMO		1,069.58	1,790.80	1,069.58	2,134.13	1,790.80	1,790.80	1,069.58	853.39	853.39

2022 Calendar Year		Single Party			Married/With Domestic Partner			Eligible Survivor		
Carrier		Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy
Kaiser HMO		\$900.24	\$1,884.50	\$900.24	\$1,800.48	\$1,884.50	\$1,800.48	\$900.24	\$900.24	\$900.24
Anthem Blue Cross PPO		1,337.99	1,884.50	1,337.99	2,670.95	1,884.50	1,884.50	1,337.99	900.24	900.24
Anthem Blue Cross HMO		1,069.05	1,884.50	1,069.05	2,133.07	1,884.50	1,884.50	1,069.05	900.24	900.24

2021-2022 Fiscal Year		Single Party			Married/With Domestic Partner			Eligible Survivor		
Carrier	Observed and Assumed Election Rate (%)**	Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy
Kaiser HMO	63.0	\$876.82	\$1,837.65	\$876.82	\$1,753.63	\$1,837.65	\$1,753.63	\$876.82	\$876.82	\$876.82
Anthem Blue Cross PPO	20.4	1,308.89	1,837.65	1,308.89	2,612.75	1,837.65	1,837.65	1,308.89	876.82	876.82
Anthem Blue Cross HMO	16.6	1,069.32	1,837.65	1,069.32	2,133.60	1,837.65	1,837.65	1,069.32	876.82	876.82

* Members who are subject to the retiree medical subsidy cap have monthly health insurance subsidy maximums fixed at the level in effect on July 1, 2011, as shown on page 12, section 2(e).

** The observed election percentages are based on raw census data as of June 30, 2021.

(c) Per Capita Costs for the June 30, 2020 Valuation – Participant Eligible for Medicare A&B

2020 Calendar Year		Single Party			Married/With Domestic Partner			Eligible Survivor		
Carrier		Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy
Kaiser Senior Advantage HMO		\$262.47	\$262.47	\$262.47	\$524.94	\$524.94	\$524.94	\$262.47	\$262.47	\$262.47
Anthem Blue Cross Medicare Supplement		550.57	550.57	550.57	1,096.11	1,069.81	1,069.81	550.57	550.57	550.57
UHC California Medicare Advantage Plan		278.26	278.26	278.26	551.49	551.49	551.49	278.26	278.26	278.26

2021 Calendar Year		Single Party			Married/With Domestic Partner			Eligible Survivor		
Carrier		Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy
Kaiser Senior Advantage HMO		\$262.47	\$262.47	\$262.47	\$524.94	\$524.94	\$524.94	\$262.47	\$262.47	\$262.47
Anthem Blue Cross Medicare Supplement		564.92	564.92	564.92	1,124.81	1,075.93	1,075.93	564.92	564.92	564.92
UHC California Medicare Advantage Plan		279.70	279.70	279.70	554.37	554.37	554.37	279.70	279.70	279.70

2020-2021 Fiscal Year		Single Party			Married/With Domestic Partner			Eligible Survivor		
Carrier	Observed and Assumed Election Rate (%)	Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy
Kaiser Senior Advantage HMO	57.1	\$262.47	\$262.47	\$262.47	\$524.94	\$524.94	\$524.94	\$262.47	\$262.47	\$262.47
Anthem Blue Cross Medicare Supplement	31.8	557.75	557.75	557.75	1,110.46	1,072.87	1,072.87	557.75	557.75	557.75
UHC California Medicare Advantage Plan	11.1	278.98	278.98	278.98	552.93	552.93	552.93	278.98	278.98	278.98

* Members who are subject to the retiree medical subsidy cap have monthly health insurance subsidy maximums fixed at the level in effect on July 1, 2011, as shown on page 12, section 2(e) of our letter dated September 15, 2020 (recommending assumptions for the June 30, 2020 Retiree Health Valuation).

Note there are three small plans (SCAN, UHC Medicare Advantage HMO for Arizona and Nevada) offered by LACERS that are not included above because we assume a 0% participation rate for each of those plans. On average, their premiums are close to the UHC California Medicare Advantage plan.

(d) Per Capita Costs for the June 30, 2021 Valuation – Participant Eligible for Medicare A&B

2021 Calendar Year Carrier	Single Party			Married/With Domestic Partner			Eligible Survivor		
	Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy
Kaiser Senior Advantage HMO	\$262.47	\$262.47	\$262.47	\$524.94	\$524.94	\$524.94	\$262.47	\$262.47	\$262.47
Anthem Blue Cross Medicare Supplement	564.92	564.92	564.92	1,124.81	1,075.93	1,075.93	564.92	564.92	564.92
UHC California Medicare Advantage Plan	279.70	279.70	279.70	554.37	554.37	554.37	279.70	279.70	279.70

2022 Calendar Year Carrier	Single Party			Married/With Domestic Partner			Eligible Survivor		
	Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy
Kaiser Senior Advantage HMO	\$262.47	\$262.47	\$262.47	\$524.94	\$524.94	\$524.94	\$262.47	\$262.47	\$262.47
Anthem Medicare Preferred (PPO)	494.67	494.67	494.67	984.31	984.31	984.31	494.67	494.67	494.67
UHC California Medicare Advantage Plan	283.76	283.76	283.76	562.49	562.49	562.49	283.76	283.76	283.76

2021-2022 Fiscal Year Carrier	Observed and Assumed Election Rate (%)**	Single Party			Married/With Domestic Partner			Eligible Survivor		
		Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy	Monthly Premium	Maximum Subsidy*	Subsidy
Kaiser Senior Advantage HMO	57.2	\$262.47	\$262.47	\$262.47	\$524.94	\$524.94	\$524.94	\$262.47	\$262.47	\$262.47
Anthem Blue Cross Medicare Supplement / Anthem Medicare Preferred (PPO)	31.3	529.80	529.80	529.80	1,054.56	1,030.12	1,030.12	529.80	529.80	529.80
UHC California Medicare Advantage Plan	11.5	281.73	281.73	281.73	558.43	558.43	558.43	281.73	281.73	281.73

* Members who are subject to the retiree medical subsidy cap have monthly health insurance subsidy maximums fixed at the level in effect on July 1, 2011, as shown on page 12, section 2(e).

** The observed election percentages are based on raw census data as of June 30, 2021.

Note there are three small plans (SCAN, UHC Medicare Advantage HMO for Arizona and Nevada) offered by LACERS that are not included above because we assume a 0% participation rate for each of those plans. On average, their premiums are close to the UHC California Medicare Advantage plan.

(e) Proposed Per Capita Costs – Subject to Retiree Medical Subsidy Cap for the 2021-2022 Fiscal Year

Tier 1 members who were subject to the retiree medical subsidy cap would have monthly health insurance subsidy maximums capped at the levels in effect at July 1, 2011, as shown in the table below. We understand that no active members are subject to the cap but that some inactive members may be subject to the cap.

Retiree Plan	Single Party	Married/With Domestic Partner	Eligible Survivor
Under 65 – All Plans	\$1,190.00	\$1,190.00	\$593.62
Over 65			
Kaiser Senior Advantage	\$203.27	\$406.54	\$203.27
Anthem Blue Cross Medicare Supplement/ Anthem Passive PPO Medicare Advantage	478.43	478.43*	478.43
UHC California Medicare Adv. HMO	219.09	433.93	219.09

*The reason the subsidy is only at the single-party amount is that there is no excess subsidy to cover a dependent.

(f) Proposed Per Capita Costs used in June 30, 2021 Valuation – Dental Plan

Maximum Dental Subsidy

Retiree Plan	Actual / Assumed Participation Percent (%)	Monthly 2021 Calendar Year Subsidy	Monthly 2022 Calendar Year Subsidy	Monthly 2021-2022 Fiscal Year Subsidy
Delta Dental PPO	80.2	\$44.60	\$44.60	\$44.60
DeltaCare USA	19.8	14.38	15.10	14.74

(g) Proposed Per Capita Costs used in June 30, 2021 Valuation – Medicare Part B Premium Reimbursement

The Plan will reimburse (only available to Member, not dependent or survivor) monthly Medicare Part B premiums before means testing:

Monthly Premium	Single
Actual premium for calendar year 2021	\$148.50
Projected premium for calendar year 2022*	155.18
Projected average monthly premium for plan year 2021-2022	151.84

*Based on calendar year 2021 premium adjusted to 2022 by assumed trend rate of 4.50%.

For retirees over age 65 on the valuation date, we will value the Medicare Part B premiums as reported in the data. For current and future retirees under age 65, we will assume 100% of those electing a medical subsidy will be eligible for the Medicare Part B premium subsidy.

3. Other Assumptions and Methods

In the June 30, 2021 valuation, we will also apply the following demographic and economic assumptions and methodologies that the Board approved as a result of the triennial experience study covering July 1, 2016 to June 30, 2019.

- a. Economic assumptions: We will apply the 7.00% investment return and 2.75% inflation assumption that the Board approved as a result of the triennial experience study covering July 1, 2016 to June 30, 2019.
- b. Demographic assumptions: These include the incidence of service retirement, disability retirement, withdrawal, deferred vested retirement and death. We will apply the assumptions adopted in our July 1, 2016 to June 30, 2019 triennial experience study.
- c. Funding methodologies: The Entry Age Cost Method will continue to be used in this valuation.
- d. Expected annual rate of increase in the Board's health subsidy amount:

We have made an assumption that the Board's health subsidy amount will increase at the same rate as the anticipated increase in benefit costs. We recommend leaving this assumption unchanged for the June 30, 2021 valuation. (Please also see discussions under (4) in our cover letter regarding how subsidy increases are to be projected in the valuation.)

- e. Percentage of retirees over age 65 covered by Medicare Parts A and B: In the prior valuation, we assumed that 100% of retirees will enroll in Medicare Parts A and B upon reaching age 65. We recommend maintaining this assumption for the June 30, 2021 valuation.
- f. Market value of assets will be used for the June 30, 2021 GASB 74 and 75 valuations.

Market value of assets less unrecognized returns will be used for the June 30, 2021 funding valuation.

Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. In addition, the actuarial value of assets is further adjusted, if necessary, to stay within 40% of the market value of assets.

- g. Implicit Subsidy: It is our understanding that retiree premium rates are not pooled with the active rates and no implicit subsidy exists, and LACERS has confirmed this understanding.
- h. Spouse/Domestic Partner Age Difference in Years for Retirees with Medical Coverage:

For all non-retired members, male members are assumed to have a female spouse/domestic partners who is 4 years younger than the member and female members are assumed to have a male spouse/domestic partners who is 2 years older than the member. We will evaluate these assumptions during the next triennial experience study.

i. Spouse/Domestic Partner Coverage:

For all active and inactive members, 60% of male participants and 35% of female participants who receive a retiree health subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage. Of these covered spouses/domestic partners, 100% are assumed to continue coverage if the retiree predeceases the spouse/domestic partner. We will evaluate these assumptions during the next triennial experience study

j. Retiree Medical and Dental Coverage Election:

The table below summarizes the participation assumptions for future retirees. We will evaluate these assumptions during the next triennial experience study.

Service Range	Percent (%) Covered ¹
10-14	60
15-19	80
20-24	90
25 and over	95

¹ For deferred vested members, we assume an election percent of 50% of these rates.

- k. Reconciliation of Total OPEB Liability (TOL) for GAS 74 and 75 – When reconciling the TOL for the GAS 74 and 75 valuations, changes in TOL attributable to a health care trend, discount rate, medical election, health care premium and subsidy rates and changes adopted from the triennial experience study will be treated as assumption changes. Segal is transitioning the classification of changes in select valuation parameters for the financial reporting valuation from “experience gains and losses” to “assumption changes”. The updated premium and corresponding plan election rates are used to project future member plan elections and premiums and therefore it is more appropriate to classify changes in these parameters as assumption changes rather than experience gains and losses.

l. Amortization of Prior UAAL Layers Identified in the June 30, 2020 Valuation:

We will reflect the action of the Board to amortize the outstanding balance of the above layers over 21 years in the June 30, 2021 valuation.



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Governance Committee

Nilza R. Serrano, Chair
Annie Chao
Cynthia M. Ruiz

MEETING: September 28, 2021

ITEM: VIII – B

SUBJECT: PROPOSED REVISION TO THE MARKETING CESSATION POLICY AND POSSIBLE BOARD ACTION

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

Recommendation

That the Board approve the Governance Committee's recommendations to revise the Marketing Cessation Policy (MCP) section of the LACERS Board Administrative Policies and the Marketing Cessation Report (MCR), along with a policy name change.

Executive Summary

The main purpose of the MCP is to focus on eliminating unfair advantages in the time period before a contract is awarded. The policy helps prevent, and avoid the appearance of, undue influence on Board Members in the award of investment related and other service contracts by placing restrictions on communications between firms seeking contracts and those involved in contract award and the contract process.

The Governance Committee is in support of the proposed revisions to the MCP and has chosen both a new name for the policy and a new style for the MCR.

Discussion

On August 24, 2021, staff presented to the Governance Committee proposed revisions to the MCP and the MCR. The Committee is in agreement with the proposed changes to the MCP. Essentially, the changes: 1) provide clarity as to how, when, and to whom the policy applies, and 2) detail certain acceptable communications between potential contractors and LACERS representatives (Board members, staff, and consultants).

A verbal correction to Attachment 4 was given, in that City Charter Section 222 limits actions of all LACERS/City officers and employees, not just Commissioners. Additionally, the Committee directed staff to add language to the policy that would reference the need for LACERS staff to comply with City Ethics Commission rules in the receipt of gifts and items. Governance Committee recommendations are highlighted in Attachment 1.

Of the several policy name alternatives presented, the Committee recommended to move forward with *Ethical Contract Compliance Policy* as the new policy title.

Lastly, the Committee has chosen Attachment 3 (Attachment 3A of the August 24, 2021 Governance Committee report) to represent the new, streamlined MCR.

Strategic Plan Impact Statement

The Board's action on this item aligns with the LACERS Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Julie Guan, Management Analyst, Administrative Services Division

NMG/TB:IC:JG

- Attachments:
1. Ethical Contract Compliance Policy – Redline Version
 2. Ethical Contract Compliance Policy – Clean Version
 3. Ethical Contract Compliance Report
 4. Summary of Various Ethics, Conflict of Interest Policies, and Statutes
 5. Governance Committee Report dated August 24, 2021

2.1 **MARKETING CESSATION ETHICAL CONTRACT COMPLIANCE POLICY**

Adopted: April 24, 2007; Revised: June 10, 2014; September 28, 2021

Purpose

The purpose of this policy is to ~~ensure support~~ a transparent and fair contracting process which provides equal information and opportunity to all parties interested in contracting with LACERS.

The policy primarily concerns the conduct of those seeking a new contract or contract extension/renewal. It aims to help prevent, and avoid the appearance of, undue influence ~~by those seeking a contract or contract extension/renewal~~ on the Board, ~~or any of its individual Board Members, LACERS Staff, and City Consultants~~ in the award of investment-related and other service contracts, by placing restrictions on communications between parties seeking contracts and those involved in awarding contracts ~~award~~ and the contracting process.

This policy is intended to align with the City's Governmental Ethics Ordinance, Section 49.5.11(A) which states "Except at a public meeting, a member of a City board or commission shall not participate in the development, review, evaluation, or negotiation of or the recommendation process for bids, proposals, or any other requests for the award or termination of a contract, amendment, or change order involving that board, commission, or agency. This does not preclude individual [Board] members from reviewing documents and other information provided by agency staff [or consultants] when preparing for a public meeting at which the matter will be considered."

Parties Affected

Any firm or representative seeking a contract or contract extension/renewal with LACERS is a "Restricted Source" as defined by the City's Governmental Ethics Ordinance, and is subject to this policy.

Any Board Member, Staff member, City Attorney, LACERS consultant, or anyone working on LACERS' behalf which has any privileged information about the potential contract is subject to this policy and to the City's Governmental Ethics Ordinance. The marketing cessation period applies to all aforementioned entities in all communications with potential or current contractors who participate in either traditional Request for Proposals or private market opportunities, except when Staff, City Attorneys, or LACERS consultants are engaged in necessary communications as allowed under Communication Restrictions: Exceptions — Permitted Communications.

Notification

All firms responding to a Request for Proposal are notified of the Department's Ethical Contract Compliance~~Marketing Cessation~~ Policy through the Request for Proposal solicitation. All firms whose contracts are approaching expiration are additionally notified of the Ethical Contract Compliance~~Marketing Cessation~~ Policy through their contract provisions.

Restricted Period

Restrictions apply from the time the Request for Proposal is released until a contract is executed. All Restricted Sources will be listed on the Ethical Contract Compliance Policy Report, which is to be updated and presented to the Board on a monthly basis.

Restrictions:

Communication Restrictions

During the Restricted Period, a All firms that are potential candidates for the award of a contract, or extension of an existing contract, are prohibited from engaging in any direct or indirect marketing of their services except through the process set forth in the Request for Proposal. This prohibition includes all ~~prohibition on~~ conversations about the contract or the process to award it, unless exception is permitted herein.

Exceptions – Permitted Communications:

- ~~but does not exclude~~ Board or staff conversations with restricted sources about generic topics at group social events, educational seminars, conferences, or charitable events.
- Communications between staff with firms who currently have contracts with LACERS are acceptable when they are related to the performance or administration of the existing contract.
- Communications initiated by staff with firms when related to the due diligence process or research.
- Communications initiated by staff with firms that were not subject to a competitive proposal process where contract negotiations are necessary prior to execution of a final agreement.
- Communications initiated by staff with a firm that is actively negotiating a contract with LACERS for the purposes of collecting documentation necessary for the execution of the final agreement.

Gift Restrictions

In addition to all other applicable gift restrictions, Board Members, and Staff, and LACERS consultants will accept no not accept entertainment or gifts of any kind from any Restricted Source, or nor any intermediary or affiliate, during the restricted period. An incumbent firm is also restricted from providing any type of gift or entertainment to Board Members, or Staff, or other LACERS consultants during the three months prior to renewal of the existing contract or during the restricted period, whichever is longer. Courtesies offered to staff during due diligence office visits, such as working meals and beverages, may be accepted by staff if consistent with all applicable ethics laws, including but not limited to the City Ethics Ordinance and Political Reform Act.

Proposer Disclosure

All Proposers shall provide the following disclosures with their RFP response. All recommendations to the Board to award a contract shall include a copy of such disclosures:

1. All respondents are required to submit a statement listing all contacts with Board Members, Staff, and Consultants during the restricted period.
2. All respondents shall provide information regarding any personal or business relationship between their personnel and any Member of the Board, Staff of LACERS, or Consultants who are designated as Form 700 filers in the Department's Conflict of Interest Code.
3. All respondents shall disclose any payments for marketing or placement services to any person, firm, or entity to assist in seeking the LACERS contracting opportunity.

Penalties

Any failures to disclose, or false disclosures, are a violation of this policy shall result in automatic disqualification of the firm involved.

This policy shall be reviewed by the Board every three years or earlier if necessitated by a change in local, State, or Federal statutes.

2.1 ETHICAL CONTRACT COMPLIANCE POLICY

Adopted: April 24, 2007; Revised: June 10, 2014; September 28, 2021

Purpose

The purpose of this policy is to support a transparent and fair contracting process which provides equal information and opportunity to all parties interested in contracting with LACERS. The policy primarily concerns the conduct of those seeking a new contract or contract extension/renewal. It aims to prevent, and avoid the appearance of, undue influence on the Board, individual Board Members, LACERS Staff, and City Consultants in the award of investment-related and other service contracts, by placing restrictions on communications between parties seeking contracts and those involved in awarding contracts and the contracting process.

This policy is intended to align with the City's Governmental Ethics Ordinance, Section 49.5.11(A) which states "Except at a public meeting, a member of a City board or commission shall not participate in the development, review, evaluation, or negotiation of or the recommendation process for bids, proposals, or any other requests for the award or termination of a contract, amendment, or change order involving that board, commission, or agency. This does not preclude individual [Board] members from reviewing documents and other information provided by agency staff [or consultants] when preparing for a public meeting at which the matter will be considered."

Parties Affected

Any firm or representative seeking a contract or contract extension/renewal with LACERS is a "Restricted Source" as defined by the City's Governmental Ethics Ordinance and is subject to this policy.

Any Board Member, Staff member, City Attorney, LACERS consultant, or anyone working on LACERS' behalf which has any privileged information about the potential contract is subject to this policy and to the City's Governmental Ethics Ordinance. The marketing cessation period applies to all aforementioned entities in all communications with potential or current contractors who participate in either traditional Request for Proposals or private market opportunities, except when Staff, City Attorneys, or LACERS consultants are engaged in necessary communications as allowed under *Communication Restrictions: Exceptions — Permitted Communications*.

Notification

All firms responding to a Request for Proposal are notified of the Department's Ethical Contract Compliance Policy through the Request for Proposal solicitation. All firms whose contracts are approaching expiration are additionally notified of the Ethical Contract Compliance Policy through their contract provisions.

Restricted Period

Restrictions apply from the time the Request for Proposal is released until a contract is executed. All Restricted Sources will be listed on the Ethical Contract Compliance Policy Report, which is to be updated and presented to the Board on a monthly basis.

Restrictions:

Communication Restrictions

During the Restricted Period, all firms that are potential candidates for the award of a contract or extension of an existing contract are prohibited from engaging in any direct or indirect marketing of their services except through the process set forth in the Request for Proposal. This prohibition

includes all conversations about the contract or the process to award it, unless exception is permitted herein.

Exceptions – Permitted Communications:

- Board or staff conversations with restricted sources about generic topics at group social events, educational seminars, conferences, or charitable events.
- Communications between staff with firms who currently have contracts with LACERS related to the performance or administration of the existing contract.
- Communications initiated by staff with firms when related to the due diligence process or research.
- Communications initiated by staff with firms that were not subject to a competitive proposal process where contract negotiations are necessary prior to execution of a final agreement.
- Communications initiated by staff with a firm that is actively negotiating a contract with LACERS for the purposes of collecting documentation necessary for the execution of the final agreement.

Gift Restrictions

In addition to all other applicable gift restrictions, Board Members, Staff, and LACERS consultants will not accept entertainment or gifts of any kind from any Restricted Source, nor any intermediary or affiliate, during the restricted period. An incumbent firm is also restricted from providing any type of gift or entertainment to Board Members, Staff, or other LACERS consultants during the three months prior to renewal of the existing contract or during the restricted period, whichever is longer. Courtesies offered to staff during due diligence office visits, such as working meals and beverages, may be accepted by staff if consistent with all applicable ethics laws, including but not limited to the City Ethics Ordinance and Political Reform Act.

Proposer Disclosure

All Proposers shall provide the following disclosures with their RFP response. All recommendations to the Board to award a contract shall include a copy of such disclosures:

1. All respondents are required to submit a statement listing all contacts with Board Members, Staff, and Consultants during the restricted period.
2. All respondents shall provide information regarding any personal or business relationship between their personnel and any Member of the Board, Staff of LACERS, or Consultants who are designated as Form 700 filers in the Department's Conflict of Interest Code.
3. All respondents shall disclose any payments for marketing or placement services to any person, firm, or entity to assist in seeking the LACERS contracting opportunity.

Penalties

Any failures to disclose, or false disclosures, are a violation of this policy shall result in automatic disqualification of the firm involved.

This policy shall be reviewed by the Board every three years or earlier if necessitated by a change in local, State, or Federal statutes.

LACERS' ETHICAL CONTRACT COMPLIANCE REPORT
SUBJECT TO THE ETHICAL CONTRACT COMPLIANCE POLICY FOR JUNE—JULY 2021

RESTRICTED SOURCES

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

Name	Description	Inception	Expiration	Division
Anthem 2021	Medical HMO & PPO	January 1, 2020	December 31, 2020	Health Benefits Administration
Kaiser 2021	Medical HMO	January 1, 2020	December 31, 2020	Health Benefits Administration
SCAN 2021	Medical HMO	January 1, 2020	December 31, 2020	Health Benefits Administration
United Healthcare 2021	Medical HMO	January 1, 2020	December 31, 2020	Health Benefits Administration
Delta Dental 2021	Dental PPO and HMO	January 1, 2020	December 31, 2020	Health Benefits Administration
Anthem Blue View Vision 2021	Vision Services Contract	January 1, 2020	December 31, 2020	Health Benefits Administration
The Northern Trust Company	Master Custody Services	August 1, 2018	July 31, 2021	Investments
The Northern Trust Company	Securities Lending Services	August 1, 2018	July 31, 2021	Investments
The Northern Trust Company	Compliance Analyst Service and/or Event Analyst Services	August 1, 2018	July 31, 2021	Investments
The Northern Trust Company	Risk Services	August 1, 2018	July 31, 2021	Investments
The Northern Trust Company	Integrated Disbursement Services	August 1, 2018	July 31, 2021	Investments
The Northern Trust Company	Private Monitor Analytical Services (Core Services)	August 1, 2018	July 31, 2021	Investments

Also viewable online [here](#).

LACERS' ETHICAL CONTRACT COMPLIANCE REPORT
SUBJECT TO THE ETHICAL CONTRACT COMPLIANCE POLICY FOR JUNE—JULY 2021

ACTIVE RFPs

Description	Respondents	Inception	Expiration	Division
Private Credit Mandate Search	Alcentra Limited, Barings LLC, MB Global Partners, LLC, Backcast Partners Management LLC, BlackRock, Inc., CLSA Capital Partners (HK) Limited, Cross Ocean Adviser LLP, Clearwater Capital Partners (Fiera Capital Corporation), Guggenheim Partners, LLC, Goldman Sachs Asset Management, L.P., Pemberton Capital Advisors LLP, Kayne Anderson Capital Advisors, L.P., Maranon Capital, L.P., Bain Capital Credit, LP, Breakwater Management LP, Carlyle Global Credit Investment Management L.L.C., Crescent Capital Group LP, MV Credit Partners LLP, New Mountain Capital, LLC, Park Square Capital USA LLC, Tor Investment Management (Hong Kong) Limited, AlbaCore Capital LLP, Muzinich & Co., Inc., Kartesia Management S.A., Medalist Partners, LP, NXT Capital Investment Advisers, LLC, Owl Rock Capital Partners, PennantPark Investment Advisers, PIMCO Investments LLC, Deerpath Capital Management, LP, Brightwood Capital Advisors, Magnetar Capital LLC, MC Credit Partners LP, Oaktree Capital Management, L.P., THL Credit Advisors LLC, White Oak Global Advisors, LLC, Benefit Street Partners L.L.C., EntrustPermal / Blue Ocean GP LLC, Willow Tree Credit Partners LP, Monroe Capital LLC, Runway Growth Capital LLC, Stellus Capital Management, LLC	December 10, 2018	January 18, 2019	Investments
Core Fixed Income Mandate Search	Amundi Pioneer Institutional Asset Management, Inc., Baird Advisors, BlackRock, Inc., BMO Global Asset Management, Brown Brothers Harriman & Co., C.S. McKee, L. P., Calvert Research and Management (Calvert or CRM), Conning, Dimensional Fund Advisors LP, Dodge & Cox, EARNEST Partners, LLC, FIAM LLC, Galliard Capital Management, Garcia Hamilton & Associates, L.P., Goldman Sachs Asset Management L.P., Guggenheim Partners Investment Management, LLC, Income Research & Management, Integrity Fixed Income, Management, LLC, Invesco Advisers, Inc., J.P. Morgan Asset Management, Jennison Associates LLC, Lazard Asset Management LLC, LM Capital Group, LLC, Longfellow Investment Management Co., LLC, Loomis, Sayles & Company, L.P., Manulife Investment Management, MFS Institutional Advisors, Inc., Morgan Stanley Investment Management, National Investment Services, Neuberger Berman, Nuveen, LLC, Payden & Rygel, PGIM Fixed Income, Piedmont Investment Advisors, Inc., PIMCO, Princeton Asset Management, LLC, Progress Investment Management Company, LLC, Pugh Capital Management, Inc., Quadratic Capital Management LLC, Ramirez Asset Management, Schroder Investment Management North America Inc., Securian Asset Management, Inc., Segall Bryant & Hamill, Sit Investment Associates, Inc. (Sit), SLC Management, Smith Graham & Co., Investment Advisors, L.P., Sterling Capital Management LLC, T. Rowe Price Associates, Inc., TCW Group, Inc., The Capital Group Companies, Inc., Voya Investment Management (Voya IM), Wellington Management Company LLP, Wells Fargo Asset Management, Western Asset Management Company, LLC	August 19, 2019	October 4, 2019	Investments
Investigative Services	JHRI, Inc., Frasco, Inc., TruView BSI, LLC, RJN Investigations, Inc.	April 20, 2021	May 28, 2021	Retirement Services
Outside Investment & Real Estate Counsel	Ice Miller LLP, Polsinelli LLP, Nossaman LLP, Kutak Rock LLP, K&L Gates LLP	February 1, 2021	February 22, 2021	City Attorneys
On-Call Professional Consultants in the Audit Service Category		May 27, 2021	June 24, 2021	Internal Audit

Also viewable online [here](#).

Summary of Various Ethics, Conflict of Interest Policies, and Statutes

Marketing Cessation Policy

Places restrictions on communications between parties seeking contracts and those involved in contract award and the contract process to prevent, and avoid the appearance of, undue influence on the Board or any of its Members in the award of LACERS contracts.

- Limits actions of: Proposers seeking to do business with LACERS or in the process of contract renewal
- Period covered:
 - For an RFP: Release of the RFP until final contract execution.
 - For a contract renewal: three months prior to the contract renewal until final contract execution.

LA City's Governmental Ethics Ordinance, Section 49.5.11(A)

States that Board Members may not engage in contract-making outside of a public meeting.

Limits actions of: Individual Board Members

Period covered: Overall contract-making period

Third Party Marketer Compliance Policy

Requires firms submitting proposals for consideration to LACERS to disclose the identity of all Placement Agents and/or individuals by whom the firm was referred to LACERS, and further indicate those so identified that stand to receive fees or other considerations if a contract between the firm and LACERS is secured.

- Limits actions of: All investment partners with whom LACERS does business, including, but not limited to, private equity funds, real estate funds, and infrastructure funds, as well as investment managers retained pursuant to a contract.
- Period covered: Within 45 days of the time investment discussions are initiated by the External Manager or LACERS but in any event prior to the completion of due diligence. Any changes to the information provided to LACERS must be disclosed within 14 calendar days of the occurrence of the change in information. In the case of amendments to an existing agreement, this information is required prior to execution of the amendment.

Contractor Disclosure Policy

Requires the full and timely periodic disclosure of ex parte communications with, relationships with, and payments to, entities such as placement agents, third party marketers, lobbyists, and other Intermediaries.

- Limits actions of: LACERS contractors who are required to disclose ex parte communications directly with Board members; campaign contributions or gifts to any City Official/employee, or candidate.
- Period covered: Disclosure required upon contract initiation and semi-annually, throughout the term of the contract with LACERS.

Conflict Governance Policy

Remain cognizant of statutory laws regarding financial conflicts of interest:

- ✓ California Government Code Section 1090 – Prohibits public officers or employees from being financially interested in any City contract;
- ✓ California Government Code Section 87100 – Prohibits a City officer or employee from making, participating in making, or attempting to use his or her official position to influence any governmental decision in which he or she knows or has reason to know they have a financial interest;
- ✓ City Charter Section 222 – Authorizes the City Attorney to provide written advice “where it would violate state law or where it may not be in the public interest” for the officer or employee “to act in a particular matter, contract, sale, or transaction.”
 - Limits actions of: Individual Board Members, LACERS/City officers, and employees
 - Period covered: Duration of Commissioners’ discharge of LACERS’ duties



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

BOARD Meeting: 09/28/21
Item VIII – B
Attachment 5



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

MEETING: AUGUST 24, 2021
ITEM: III

SUBJECT: PROPOSED REVISION TO THE MARKETING CESSATION POLICY AND POSSIBLE COMMITTEE ACTION

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

Recommendation

That the Committee recommend to the Board adoption of revisions to the Marketing Cessation Policy (MCP) section of the LACERS Board Administrative Policies and to the Marketing Cessation Report (MCR).

Executive Summary

On June 22, 2021, staff presented to the Governance Committee proposed revisions to the MCP and the MCR; the Committee suggested improvements to the policy. Further revisions to the MCP are proposed to provide clarity as to how, when, and to whom the policy applies. The recommended changes include: 1) expounding on how the MCP is used in creating a transparent and fair contracting process; 2) policy name alternatives; 3) explaining when there would be a conflict of interest between potential vendors and LACERS Commissioners, staff, and consultants; and 4) providing additional streamlined options for the MCR.

Discussion

Accomplishing A Fair and Transparent Process

The overall goal of creating a transparent and fair contracting process is accomplished through the City's Governmental Ethics Ordinance and a set of policies and practices. LACERS' policies include the MCP, the Third Party Marketer Compliance Policy, the Contractor Disclosure Policy, and the Conflict Governance Policy (see Attachment 4 for more details). All are utilized in conjunction to protect the Board and LACERS from undue influence and to provide transparency. Additionally, various strategies are used by LACERS to expand outreach efforts to reach a diverse pool of candidates by posting Requests for Proposals (RFPs) in multiple spaces: the Los Angeles Business Assistance Virtual Network (LABAVN), multiple publications (*Pension & Investments*, *Emerging Manager Monthly*, etc.), websites of emerging manager-focused organizations, LACERS' website, and mass email communications to contact databases.

The main purpose of the MCP is to focus on eliminating unfair advantages in the time period before a contract is awarded. The policy helps prevent, and avoid the appearance of, undue influence on Board Members in the award of investment related and other service contracts by placing restrictions on communications between firms seeking contracts and those involved in contract award and the contract process.

Policy Name Alternatives

The phrase “Marketing Cessation Policy” itself is an industry term heavily used in other sectors, such as investments. Given that approximately 50% of LACERS contracts are executed for investment purposes, it was adopted as the de facto name of the policy alongside LACERS’ sister pension system, Los Angeles Fire & Police Pensions.

A survey of peer pension systems yielded a variety of potential alternative names for similar policies. Results of the survey were presented to investment and senior-level staff in an informal internal poll. Those names and the outcome of the staff poll are listed below for the Committee’s reference.

Potential Name	Rank	Pension System(s)
Quiet Period Policy	1	LACERA SDCERA OCERS
Pre-Contract Communication Restrictions Policy	2	-
No Contact Policy	3	CalSTRS
Ethical Contract Compliance Policy	4	-
Communications with Third Parties Policy	5	CalPERS
Marketing Cessation Policy	5	LAFPP

LACERS staff will take direction from the Committee on any desired change to the MCP name and incorporate it to associated documentation and communications.

Role Clarification

Proposed additions to the Purpose and Parties Affected sections of the MCP identifies who would be subject to this policy, and under which circumstances.

A proposed addition to the Communication Restrictions section specifies that communications on partnership agreements are acceptable between staff and potential contractors in certain circumstances. This is chiefly driven by instances in which an investment opportunity has been identified by one of LACERS’ investment consultants for a possible commitment of capital but requires continued due diligence (or other investment-related communications) to make a final investment assessment prior to the execution of a partnership or contract agreement. Such necessary communications, occurring between the investment manager or general partner of that investment opportunity and the consultant or LACERS staff, were not prohibited by policy, but the proposed addition will provide clear direction that this practice is allowable.

Furthermore, there is a list of communications under Communication Restrictions that note additional circumstances in which interactions between potential contractors and LACERS Board or staff are acceptable.

Also, the proposed addition to the MCP under the Restricted Period section specifies where to find the most current record of firms or representatives who are “restricted sources.”

Streamlined Reporting Options

The proposed revisions to the MCP simplify and streamline the information presented to the Board concerning firms or representatives who are “restricted sources.” The succinct nature of the revised report directly translates to both Board Member and staff efficiency. An additional benefit is an embedded hyperlink to a live website hosting the same information that Board Members will be able to access from any device, providing them with real time data.

There are six attachments to this report: (1) a red-line version of the MCP showing the proposed changes; (2) a clean version of the proposed MCP accepting the changes to the red-line version; (3A) a reworked MCR disclosing the names of restricted sources, their services provided, the dates of their current contract, and the Division overseeing their contract; (3B) a reworked MCR disclosing the names of restricted sources and their services provided; (3C) a reworked MCR disclosing the names of restricted sources; and (4) a listing of other policies that guide LACERS when ethics and conflicts of interest are involved.

Staff is seeking Committee’s feedback and/or approval. Upon the Committee’s finalization of the proposed revised MCP and MCR, they will be presented to the Board for further consideration and approval.

Strategic Plan Impact Statement

The Committee’s action on this item aligns with the LACERS Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Julie Guan, Management Analyst, Administrative Services Division

NMG/DW:IC:JG

- Attachments:
1. Marketing Cessation Policy – Redline Version
 2. Marketing Cessation Policy – Clean Version
 - 3A. Marketing Cessation Report – Option 1
 - 3B. Marketing Cessation Report – Option 2
 - 3C. Marketing Cessation Report – Option 3
 4. Summary of Various Ethics, Conflict of Interest Policies, and Statutes

2.1 MARKETING CESSATION POLICY

Adopted: April 24, 2007; Revised: June 10, 2014; August 24, 2021

Purpose

The purpose of this policy is to ~~ensure support~~ a transparent and fair contracting process which provides equal information and opportunity to all parties interested in contracting with LACERS.

The policy primarily concerns the conduct of those seeking a new contract or contract extension/renewal. It aims to help prevent, and avoid the appearance of, undue influence ~~by those seeking a contract or contract extension/renewal~~ on the Board, ~~or any of its individual Board Members, LACERS Staff, and City Consultants~~ in the award of investment-related and other service contracts, by placing restrictions on communications between parties seeking contracts and those involved in awarding contracts ~~award~~ and the contracting process.

This policy is intended to align with the City's Governmental Ethics Ordinance, Section 49.5.11(A) which states "Except at a public meeting, a member of a City board or commission shall not participate in the development, review, evaluation, or negotiation of or the recommendation process for bids, proposals, or any other requests for the award or termination of a contract, amendment, or change order involving that board, commission, or agency. This does not preclude individual [Board] members from reviewing documents and other information provided by agency staff [or consultants] when preparing for a public meeting at which the matter will be considered."

Parties Affected

Any firm or representative seeking a contract or contract extension/renewal with LACERS is a "Restricted Source" as defined by the City's Governmental Ethics Ordinance, and is subject to this policy.

Any Board Member, Staff member, City Attorney, LACERS consultant, or anyone working on LACERS' behalf which has any privileged information about the potential contract is subject to this policy. The marketing cessation period applies to all aforementioned entities in all communications with potential or current contractors who participate in either traditional Request for Proposals or private market opportunities, except when Staff, City Attorneys, or LACERS consultants are engaged in necessary communications as allowed under Communication Restrictions: Exceptions — Permitted Communications.

Notification

All firms responding to a Request for Proposal are notified of the Department's Marketing Cessation Policy through the Request for Proposal solicitation. All firms whose contracts are approaching expiration are additionally notified of the Marketing Cessation Policy through their contract provisions.

Restricted Period

Restrictions apply from the time the Request for Proposal is released until a contract is executed. All Restricted Sources will be listed on the Marketing Cessation Report, which is to be updated and presented to the Board on a monthly basis.

Restrictions:

Communication Restrictions

During the Restricted Period, a All firms that are potential candidates for the award of a contract, or extension of an existing contract, are prohibited from engaging in any direct or indirect marketing of their services except through the process set forth in the Request for Proposal. This prohibition includes all ~~prohibition on~~ conversations about the contract or the process to award it, unless exception is permitted herein.

Exceptions – Permitted Communications:

- but does not exclude Board or staff conversations with restricted sources about generic topics at group social events, educational seminars, conferences, or charitable events.
- Communications between staff with firms who currently have contracts with LACERS are acceptable when they are related to the performance or administration of the existing contract.
- Communications initiated by staff with firms when related to the due diligence process or research.
- Communications initiated by staff with firms that were not subject to a competitive proposal process where contract negotiations are necessary prior to execution of a final agreement.
- Communications initiated by staff with a firm that is actively negotiating a contract with LACERS for the purposes of collecting documentation necessary for the execution of the final agreement.

Gift Restrictions

In addition to all other applicable gift restrictions, Board Members, and Staff, and LACERS consultants will accept no not accept entertainment or gifts of any kind from any Restricted Source, or nor any intermediary or affiliate, during the restricted period. An incumbent firm is also restricted from providing any type of gift or entertainment to Board Members, or Staff, or other LACERS consultants during the three months prior to renewal of the existing contract or during the restricted period, whichever is longer.

Proposer Disclosure

All Proposers shall provide the following disclosures with their RFP response. All recommendations to the Board to award a contract shall include a copy of such disclosures:

1. All respondents are required to submit a statement listing all contacts with Board Members, Staff, and Consultants during the restricted period.
2. All respondents shall provide information regarding any personal or business relationship between their personnel and any Member of the Board, Staff of LACERS, or Consultants who are designated as Form 700 filers in the Department's Conflict of Interest Code.
3. All respondents shall disclose any payments for marketing or placement services to any person, firm, or entity to assist in seeking the LACERS contracting opportunity.

Penalties

Any failures to disclose, or false disclosures, are a violation of this policy shall result in automatic disqualification of the firm involved.

This policy shall be reviewed by the Board every three years or earlier if necessitated by a change in local, State, or Federal statutes.

2.1 MARKETING CESSATION POLICY

Adopted: April 24, 2007; Revised: June 10, 2014; August 24, 2021

Purpose

The purpose of this policy is to support a transparent and fair contracting process which provides equal information and opportunity to all parties interested in contracting with LACERS. The policy primarily concerns the conduct of those seeking a new contract or contract extension/renewal. It aims to prevent, and avoid the appearance of, undue influence on the Board, individual Board Members, LACERS Staff, and City Consultants in the award of investment-related and other service contracts, by placing restrictions on communications between parties seeking contracts and those involved in awarding contracts and the contracting process.

This policy is intended to align with the City's Governmental Ethics Ordinance, Section 49.5.11(A) which states "Except at a public meeting, a member of a City board or commission shall not participate in the development, review, evaluation, or negotiation of or the recommendation process for bids, proposals, or any other requests for the award or termination of a contract, amendment, or change order involving that board, commission, or agency. This does not preclude individual [Board] members from reviewing documents and other information provided by agency staff [or consultants] when preparing for a public meeting at which the matter will be considered."

Parties Affected

Any firm or representative seeking a contract or contract extension/renewal with LACERS is a "Restricted Source" as defined by the City's Governmental Ethics Ordinance and is subject to this policy.

Any Board Member, Staff member, City Attorney, LACERS consultant, or anyone working on LACERS' behalf which has any privileged information about the potential contract is subject to this policy. The marketing cessation period applies to all aforementioned entities in all communications with potential or current contractors who participate in either traditional Request for Proposals or private market opportunities, except when Staff, City Attorneys, or LACERS consultants are engaged in necessary communications as allowed under *Communication Restrictions: Exceptions — Permitted Communications*.

Notification

All firms responding to a Request for Proposal are notified of the Department's Marketing Cessation Policy through the Request for Proposal solicitation. All firms whose contracts are approaching expiration are additionally notified of the Marketing Cessation Policy through their contract provisions.

Restricted Period

Restrictions apply from the time the Request for Proposal is released until a contract is executed. All Restricted Sources will be listed on the Marketing Cessation Report, which is to be updated and presented to the Board on a monthly basis.

Restrictions:

Communication Restrictions

During the Restricted Period, all firms that are potential candidates for the award of a contract or extension of an existing contract are prohibited from engaging in any direct or indirect marketing

of their services except through the process set forth in the Request for Proposal. This prohibition includes all conversations about the contract or the process to award it, unless exception is permitted herein.

Exceptions – Permitted Communications:

- Board or staff conversations with restricted sources about generic topics at group social events, educational seminars, conferences, or charitable events.
- Communications between staff with firms who currently have contracts with LACERS related to the performance or administration of the existing contract.
- Communications initiated by staff with firms when related to the due diligence process or research.
- Communications initiated by staff with firms that were not subject to a competitive proposal process where contract negotiations are necessary prior to execution of a final agreement.
- Communications initiated by staff with a firm that is actively negotiating a contract with LACERS for the purposes of collecting documentation necessary for the execution of the final agreement.

Gift Restrictions

In addition to all other applicable gift restrictions, Board Members, Staff, and LACERS consultants will not accept entertainment or gifts of any kind from any Restricted Source, nor any intermediary or affiliate, during the restricted period. An incumbent firm is also restricted from providing any type of gift or entertainment to Board Members, Staff, or other LACERS consultants during the three months prior to renewal of the existing contract or during the restricted period, whichever is longer.

Proposer Disclosure

All Proposers shall provide the following disclosures with their RFP response. All recommendations to the Board to award a contract shall include a copy of such disclosures:

1. All respondents are required to submit a statement listing all contacts with Board Members, Staff, and Consultants during the restricted period.
2. All respondents shall provide information regarding any personal or business relationship between their personnel and any Member of the Board, Staff of LACERS, or Consultants who are designated as Form 700 filers in the Department's Conflict of Interest Code.
3. All respondents shall disclose any payments for marketing or placement services to any person, firm, or entity to assist in seeking the LACERS contracting opportunity.

Penalties

Any failures to disclose, or false disclosures, are a violation of this policy shall result in automatic disqualification of the firm involved.

This policy shall be reviewed by the Board every three years or earlier if necessitated by a change in local, State, or Federal statutes.

LACERS' MARKETING CESSATION REPORT
SUBJECT TO THE MARKETING CESSATION POLICY FOR JUNE—JULY 2021

RESTRICTED SOURCES

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

Name	Description	Inception	Expiration	Division
Anthem 2021	Medical HMO & PPO	January 1, 2020	December 31, 2020	Health Benefits Administration
Kaiser 2021	Medical HMO	January 1, 2020	December 31, 2020	Health Benefits Administration
SCAN 2021	Medical HMO	January 1, 2020	December 31, 2020	Health Benefits Administration
United Healthcare 2021	Medical HMO	January 1, 2020	December 31, 2020	Health Benefits Administration
Delta Dental 2021	Dental PPO and HMO	January 1, 2020	December 31, 2020	Health Benefits Administration
Anthem Blue View Vision 2021	Vision Services Contract	January 1, 2020	December 31, 2020	Health Benefits Administration
The Northern Trust Company	Master Custody Services	August 1, 2018	July 31, 2021	Investments
The Northern Trust Company	Securities Lending Services	August 1, 2018	July 31, 2021	Investments
The Northern Trust Company	Compliance Analyst Service and/or Event Analyst Services	August 1, 2018	July 31, 2021	Investments
The Northern Trust Company	Risk Services	August 1, 2018	July 31, 2021	Investments
The Northern Trust Company	Integrated Disbursement Services	August 1, 2018	July 31, 2021	Investments
The Northern Trust Company	Private Monitor Analytical Services (Core Services)	August 1, 2018	July 31, 2021	Investments

Also viewable online [here](#).

LACERS' MARKETING CESSATION REPORT
SUBJECT TO THE MARKETING CESSATION POLICY FOR JUNE—JULY 2021

ACTIVE RFPs

Description	Respondents	Inception	Expiration	Division
Private Credit Mandate Search	Alcentra Limited, Barings LLC, MB Global Partners, LLC, Backcast Partners Management LLC, BlackRock, Inc., CLSA Capital Partners (HK) Limited, Cross Ocean Adviser LLP, Clearwater Capital Partners (Fiera Capital Corporation), Guggenheim Partners, LLC, Goldman Sachs Asset Management, L.P., Pemberton Capital Advisors LLP, Kayne Anderson Capital Advisors, L.P., Maranon Capital, L.P., Bain Capital Credit, LP, Breakwater Management LP, Carlyle Global Credit Investment Management L.L.C., Crescent Capital Group LP, MV Credit Partners LLP, New Mountain Capital, LLC, Park Square Capital USA LLC, Tor Investment Management (Hong Kong) Limited, AlbaCore Capital LLP, Muzinich & Co., Inc., Kartesia Management S.A., Medalist Partners, LP, NXT Capital Investment Advisers, LLC, Owl Rock Capital Partners, PennantPark Investment Advisers, PIMCO Investments LLC, Deerpath Capital Management, LP, Brightwood Capital Advisors, Magnetar Capital LLC, MC Credit Partners LP, Oaktree Capital Management, L.P., THL Credit Advisors LLC, White Oak Global Advisors, LLC, Benefit Street Partners L.L.C., EntrustPermal / Blue Ocean GP LLC, Willow Tree Credit Partners LP, Monroe Capital LLC, Runway Growth Capital LLC, Stellus Capital Management, LLC	December 10, 2018	January 18, 2019	Investments
Core Fixed Income Mandate Search	Amundi Pioneer Institutional Asset Management, Inc., Baird Advisors, BlackRock, Inc., BMO Global Asset Management, Brown Brothers Harriman & Co., C.S. McKee, L.P., Calvert Research and Management (Calvert or CRM), Conning, Dimensional Fund Advisors LP, Dodge & Cox, EARNEST Partners, LLC, FIAM LLC, Galliard Capital Management, Garcia Hamilton & Associates, L.P., Goldman Sachs Asset Management L.P., Guggenheim Partners Investment Management, LLC, Income Research & Management, Integrity Fixed Income, Management, LLC, Invesco Advisers, Inc., J.P. Morgan Asset Management, Jennison Associates LLC, Lazard Asset Management LLC, LM Capital Group, LLC, Longfellow Investment Management Co., LLC, Loomis, Sayles & Company, L.P., Manulife Investment Management, MFS Institutional Advisors, Inc., Morgan Stanley Investment Management, National Investment Services, Neuberger Berman, Nuveen, LLC, Payden & Rygel, PGIM Fixed Income, Piedmont Investment Advisors, Inc., PIMCO, Princeton Asset Management, LLC, Progress Investment Management Company, LLC, Pugh Capital Management, Inc., Quadratic Capital Management LLC, Ramirez Asset Management, Schroder Investment Management North America Inc., Securian Asset Management, Inc., Segall Bryant & Hamill, Sit Investment Associates, Inc. (Sit), SLC Management, Smith Graham & Co., Investment Advisors, L.P., Sterling Capital Management LLC, T. Rowe Price Associates, Inc., TCW Group, Inc., The Capital Group Companies, Inc., Voya Investment Management (Voya IM), Wellington Management Company LLP, Wells Fargo Asset Management, Western Asset Management Company, LLC	August 19, 2019	October 4, 2019	Investments
Investigative Services	JHRI, Inc., Frasco, Inc., TruView BSI, LLC, RJN Investigations, Inc.	April 20, 2021	May 28, 2021	Retirement Services
Outside Investment & Real Estate Counsel	Ice Miller LLP, Polsinelli LLP, Nossaman LLP, Kutak Rock LLP, K&L Gates LLP	February 1, 2021	February 22, 2021	City Attorneys
On-Call Professional Consultants in the Audit Service Category		May 27, 2021	June 24, 2021	Internal Audit

Also viewable online [here](#).

LACERS' MARKETING CESSATION REPORT
SUBJECT TO THE MARKETING CESSATION POLICY FOR JUNE—JULY 2021

RESTRICTED SOURCES

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

Investment Contracts	Description
The Northern Trust Company	Master Custody Services
The Northern Trust Company	Securities Lending Services
The Northern Trust Company	Compliance Analyst Service and/or Event Analyst Services
The Northern Trust Company	Risk Services
The Northern Trust Company	Integrated Disbursement Services
The Northern Trust Company	Private Monitor Analytical Services (Core Services)

Non-Investment Contracts	Description
Anthem 2021	Medical HMO & PPO
Kaiser 2021	Medical HMO
SCAN 2021	Medical HMO
United Healthcare 2021	Medical HMO
Delta Dental 2021	Dental PPO and HMO
Anthem Blue View Vision 2021	Vision Services Contract

Also viewable online in more detail [here](#).

LACERS' MARKETING CESSATION REPORT
SUBJECT TO THE MARKETING CESSATION POLICY FOR JUNE—JULY 2021

ACTIVE RFPs

Description	Respondents
Private Credit Mandate Search	Alcentra Limited, Barings LLC, MB Global Partners, LLC, Backcast Partners Management LLC, BlackRock, Inc., CLSA Capital Partners (HK) Limited, Cross Ocean Adviser LLP, Clearwater Capital Partners (Fiera Capital Corporation), Guggenheim Partners, LLC, Goldman Sachs Asset Management, L.P., Pemberton Capital Advisors LLP, Kayne Anderson Capital Advisors, L.P., Maranon Capital, L.P., Bain Capital Credit, LP, Breakwater Management LP, Carlyle Global Credit Investment Management L.L.C., Crescent Capital Group LP, MV Credit Partners LLP, New Mountain Capital, LLC, Park Square Capital USA LLC, Tor Investment Management (Hong Kong) Limited, AlbaCore Capital LLP, Muzinich & Co., Inc., Kartesia Management S.A., Medalist Partners, LP, NXT Capital Investment Advisers, LLC, Owl Rock Capital Partners, PennantPark Investment Advisers, PIMCO Investments LLC, Deerpath Capital Management, LP, Brightwood Capital Advisors, Magnetar Capital LLC, MC Credit Partners LP, Oaktree Capital Management, L.P., THL Credit Advisors LLC, White Oak Global Advisors, LLC, Benefit Street Partners L.L.C., EntrustPermal / Blue Ocean GP LLC, Willow Tree Credit Partners LP, Monroe Capital LLC, Runway Growth Capital LLC, Stellus Capital Management, LLC
Core Fixed Income Mandate Search	Amundi Pioneer Institutional Asset Management, Inc., Baird Advisors, BlackRock, Inc., BMO Global Asset Management, Brown Brothers Harriman & Co., C.S. McKee, L. P., Calvert Research and Management (Calvert or CRM), Conning, Dimensional Fund Advisors LP, Dodge & Cox, EARNEST Partners, LLC, FIAM LLC, Galliard Capital Management, Garcia Hamilton & Associates, L.P., Goldman Sachs Asset Management L.P., Guggenheim Partners Investment Management, LLC, Income Research & Management, Integrity Fixed Income, Management, LLC, Invesco Advisers, Inc., J.P. Morgan Asset Management, Jennison Associates LLC, Lazard Asset Management LLC, LM Capital Group, LLC, Longfellow Investment Management Co., LLC, Loomis, Sayles & Company, L.P, Manulife Investment Management, MFS Institutional Advisors, Inc., Morgan Stanley Investment Management, National Investment Services, Neuberger Berman, Nuveen, LLC, Payden & Rygel, PGIM Fixed Income, Piedmont Investment Advisors, Inc., PIMCO, Princeton Asset Management, LLC, Progress Investment Management Company, LLC, Pugh Capital Management, Inc., Quadratic Capital Management LLC, Ramirez Asset Management, Schroder Investment Management North America Inc., Securian Asset Management, Inc., Segall Bryant & Hamill, Sit Investment Associates, Inc. (Sit), SLC Management, Smith Graham & Co., Investment Advisors, L.P., Sterling Capital Management LLC, T. Rowe Price Associates, Inc., TCW Group, Inc., The Capital Group Companies, Inc., Voya Investment Management (Voya IM), Wellington Management Company LLP, Wells Fargo Asset Management, Western Asset Management Company, LLC
Investigative Services	JHRI, Inc., Frasco, Inc., TruView BSI, LLC, RJN Investigations, Inc.
Outside Investment & Real Estate Counsel	Ice Miller LLP, Polsinelli LLP, Nossaman LLP, Kutak Rock LLP, K&L Gates LLP
On-Call Professional Consultants in the Audit Service Category	

Also viewable online in more detail [here](#).

**LACERS' MARKETING CESSATION REPORT
SUBJECT TO THE MARKETING CESSATION POLICY FOR JUNE—JULY 2021**

RESTRICTED SOURCES

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

Description	Vendor/Consultant
Contracts (Investments)	The Northern Trust
Contracts (Non-Investments)	Kaiser 2021, SCAN 2021, United Healthcare 2021, Delta Dental 2021, Anthem Blue View Vision 2021
Request for Proposals (Investments)	Amundi Pioneer Institutional Asset Management, Inc., Baird Advisors, BlackRock, Inc., BMO Global Asset Management, Brown Brothers Harriman & Co., C.S. McKee, L. P., Calvert Research and Management (Calvert or CRM), Conning, Dimensional Fund Advisors LP, Dodge & Cox, EARNEST Partners, LLC, FIAM LLC, Galliard Capital Management, Garcia Hamilton & Associates, L.P., Goldman Sachs Asset Management L.P., Guggenheim Partners Investment Management, LLC, Income Research & Management, Integrity Fixed Income, Management, LLC, Invesco Advisers, Inc., J.P. Morgan Asset Management, Jennison Associates LLC, Lazard Asset Management LLC, LM Capital Group, LLC, Longfellow Investment Management Co., LLC, Loomis, Sayles & Company, L.P, Manulife Investment Management, MFS Institutional Advisors, Inc., Morgan Stanley Investment Management, National Investment Services, Neuberger Berman, Nuveen, LLC, Payden & Rygel, PGIM Fixed Income, Piedmont Investment Advisors, Inc., PIMCO, Princeton Asset Management, LLC, Progress Investment Management Company, LLC, Pugh Capital Management, Inc., Quadratic Capital Management LLC, Ramirez Asset Management, Schroder Investment Management North America Inc., Securian Asset Management, Inc., Segall Bryant & Hamill, Sit Investment Associates, Inc. (Sit), SLC Management, Smith Graham & Co., Investment Advisors, L.P., Sterling Capital Management LLC, T. Rowe Price Associates, Inc., TCW Group, Inc., The Capital Group Companies, Inc., Voya Investment Management (Voya IM), Wellington Management Company LLP, Wells Fargo Asset Management, Western Asset Management Company, LLC
Request for Proposals (Non-Investments)	JHRI, Inc., Frasco, Inc., TruView BSI, LLC, RJN Investigations, Inc., Ice Miller LLP, Polsinelli LLP, Nossaman LLP, Kutak Rock LLP, K&L Gates LLP

Also viewable online in more detail here.

Summary of Various Ethics, Conflict of Interest Policies, and Statutes

Marketing Cessation Policy

Places restrictions on communications between parties seeking contracts and those involved in contract award and the contract process to prevent, and avoid the appearance of, undue influence on the Board or any of its Members in the award of LACERS contracts.

- Limits actions of: Proposers seeking to do business with LACERS or in the process of contract renewal
- Period covered:
 - For an RFP: Release of the RFP until final contract execution.
 - For a contract renewal: three months prior to the contract renewal until final contract execution.

LA City's Governmental Ethics Ordinance, Section 49.5.11(A)

States that Board Members may not engage in contract-making outside of a public meeting.

Limits actions of: Individual Board Members

Period covered: Overall contract-making period

Third Party Marketer Compliance Policy

Requires firms submitting proposals for consideration to LACERS to disclose the identity of all Placement Agents and/or individuals by whom the firm was referred to LACERS, and further indicate those so identified that stand to receive fees or other considerations if a contract between the firm and LACERS is secured.

- Limits actions of: All investment partners with whom LACERS does business, including, but not limited to, private equity funds, real estate funds, and infrastructure funds, as well as investment managers retained pursuant to a contract.
- Period covered: Within 45 days of the time investment discussions are initiated by the External Manager or LACERS but in any event prior to the completion of due diligence. Any changes to the information provided to LACERS must be disclosed within 14 calendar days of the occurrence of the change in information. In the case of amendments to an existing agreement, this information is required prior to execution of the amendment.

Contractor Disclosure Policy

Requires the full and timely periodic disclosure of ex parte communications with, relationships with, and payments to, entities such as placement agents, third party marketers, lobbyists, and other Intermediaries.

- Limits actions of: LACERS contractors who are required to disclose ex parte communications directly with Board members; campaign contributions or gifts to any City Official/employee, or candidate.
- Period covered: Disclosure required upon contract initiation and semi-annually, throughout the term of the contract with LACERS.

Conflict Governance Policy

Remain cognizant of statutory laws regarding financial conflicts of interest:

- ✓ California Government Code Section 1090 – Prohibits public officers or employees from being financially interested in any City contract;
- ✓ California Government Code Section 87100 – Prohibits a City officer or employee from making, participating in making, or attempting to use his or her official position to influence any governmental decision in which he or she knows or has reason to know they have a financial interest;
- ✓ City Charter Section 222 – Authorizes the City Attorney to provide written advice “where it would violate state law or where it may not be in the public interest” for the officer or employee “to act in a particular matter, contract, sale, or transaction.”
 - Limits actions of: Individual Board Members
 - Period covered: Duration of Commissioners’ discharge of LACERS’ duties

Health Benefits Division: Advocacy Unit





Core Functions

- ☐ Counsel LACERS members with Health-related matters by phone, or by email
- ☐ Be an effective liaison with health plan providers
- ☐ Assist members to remain Medicare compliant
- ☐ Provide subject matter expert information at Open Enrollment Meetings, Medicare Workshops, and Zoom Webinar Sessions
- ☐ Research, resolve, and process benefit claims issues



Meet the Advocates

- ☐ Benefits Analyst (Michael Clayton)

- ☐ Retirement by Mail
- ☐ Anthem Blue Cross and Kaiser Claims
- ☐ Delta Dental Claims

- ☐ Benefits Specialist (Virginia Lopez)

- ☐ Retirement by Mail
- ☐ Anthem Blue Cross Medicare Compliance
- ☐ Anthem Blue Cross and Kaiser Claims
- ☐ Surviving Spouse Benefits
- ☐ Delta Dental Claims
- ☐ Spanish Speaker

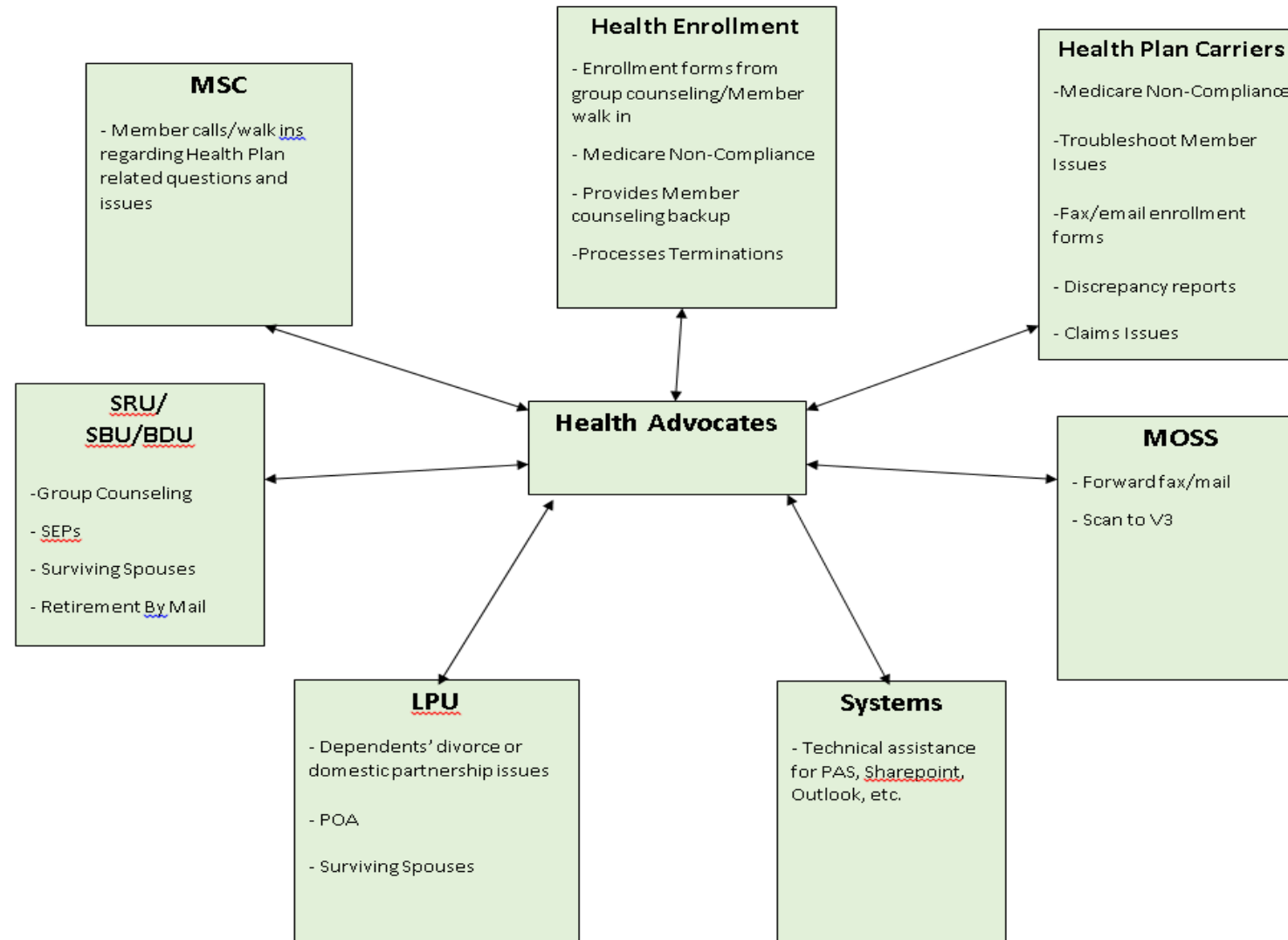
- ☐ Benefits Specialist (Maria Macias)

- ☐ Retirement by Mail
- ☐ Anthem Blue Cross and Kaiser Permanente Claims
- ☐ Surviving Spouse Benefits
- ☐ Delta Dental Claims
- ☐ Spanish Speaker

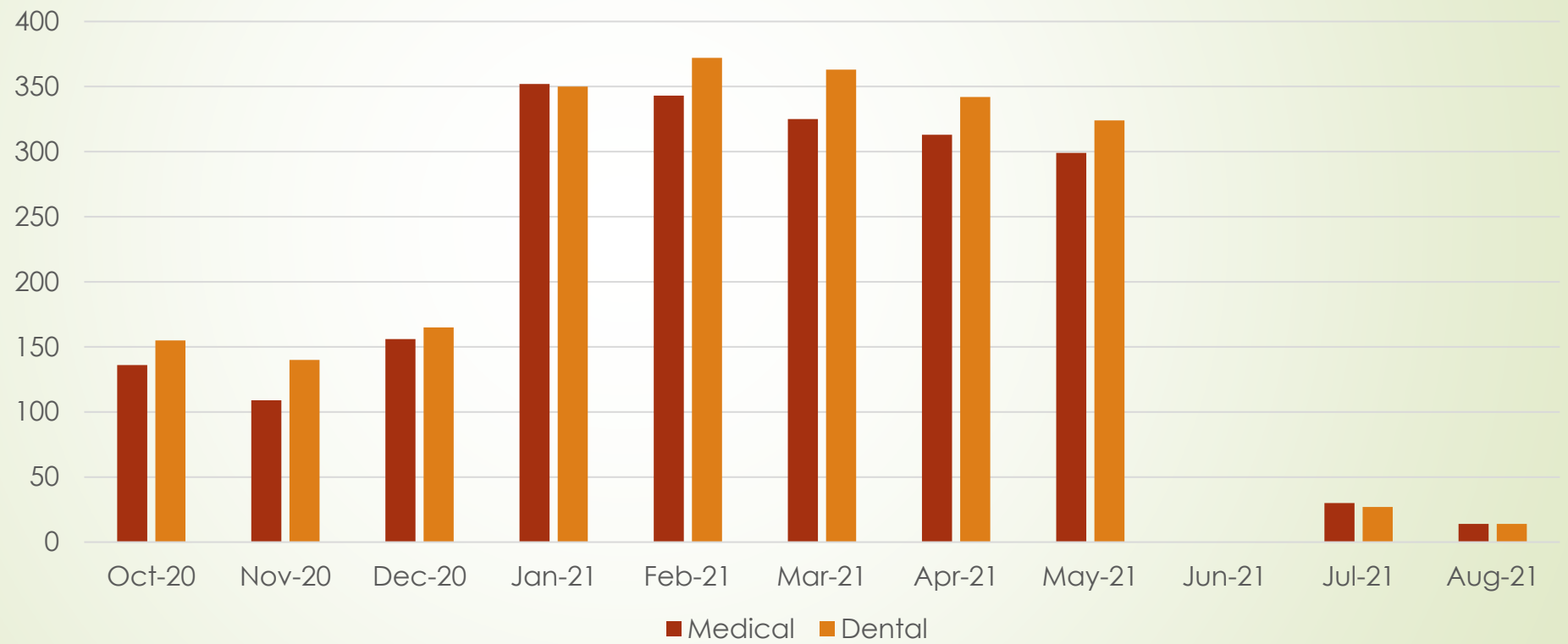
- ☐ Administrative Intern (Raymond Vargas)

- ☐ Clerical Support

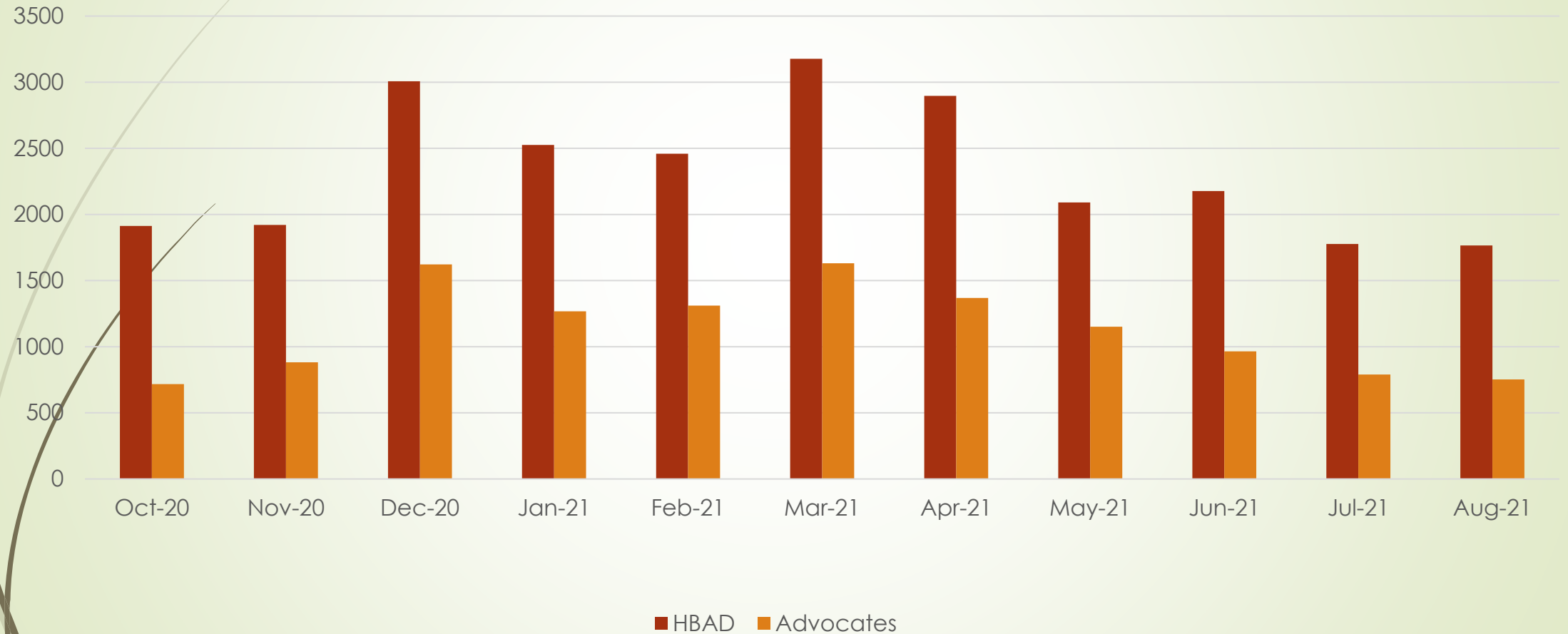
Interconnectedness: Unit Partners



New SIP Enrollment



Advocate Contact Logs





LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

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

MEETING: SEPTEMBER 28, 2021
ITEM: X-B

SUBJECT: PRIVATE EQUITY PACING IMPLEMENTATION PLAN AND POSSIBLE BOARD ACTION

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

Recommendation

That the Board adopt the Private Equity Pacing Implementation Plan.

Discussion

On September 14, 2021, the Committee considered the attached report regarding the Private Equity Pacing Implementation Plan. The Committee heard a presentation from David Fann, Jeffrey Goldberger, and Trevor Jackson of Aksia TorreyCove Partners LLC (Aksia), LACERS' Private Equity Consultant. The plan, developed by Aksia with input from staff, provides a five-year pacing scenario in order to achieve a 16% target allocation to private equity. The Committee inquired about the growth of the private equity portfolio compared to the growth of the LACERS total fund, as well as how emerging manager commitments will be factored into the new pacing model. Based on this discussion, the Committee concurs with the staff recommendation to adopt the plan. Aksia will be present at the Board meeting of September 28, 2021, should the Board desire to hear a presentation of the plan.

Strategic Plan Impact Statement

The Private Equity Pacing Implementation Plan assists the Board in building a diversified private equity and total fund portfolio and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/WL:rm

Attachment: 1. Investment Committee Recommendation Report dated September 14, 2021



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: SEPTEMBER 14, 2021
ITEM: V

Neil M. Guglielmo

SUBJECT: PRIVATE EQUITY PACING IMPLEMENTATION PLAN AND POSSIBLE COMMITTEE ACTION

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

Recommendation

That the Committee recommend to the Board the adoption of the Private Equity Pacing Implementation Plan.

Executive Summary

The Board adopted a new target allocation to the private equity asset class on May 11, 2021. Accordingly, Aksia TorreyCove Partners LLC (Aksia), LACERS' Private Equity Consultant, has prepared the attached presentation recommending a pacing implementation plan as the private equity portfolio is transitioned to the new long-term target. Staff concurs with Aksia's recommendations.

Discussion

At its meeting of May 11, 2021, the Board adopted a new target asset allocation policy as part of the asset allocation study led by NEPC, LLC (NEPC), LACERS' General Fund Consultant. The new asset allocation policy increased the private equity policy target by 2% to a new target exposure of 16% of the LACERS total fund. Currently, the private equity portfolio is underweight relative to the new target exposure; staff and Aksia anticipate that it may take several years to deploy sufficient capital in the private equity asset class to reach the 16% target allocation. Accordingly, Aksia recommends a calculated pacing approach, which accounts for capital calls, distributions, and LACERS total fund growth (see attachment).

Additionally, the plan provides a pacing scenario with a 5-year time horizon in order to achieve a 16% target allocation to private equity. The proposed pacing plan presents an analysis with various growth rates of the LACERS total fund. As the market values of the private equity portfolio and LACERS total fund change year-by-year from 2021 to 2025, the annual projected commitments to the private equity asset class will also change. Staff and Aksia will provide updates and recommended pacing adjustments to the Board and Committee via the annual Private Equity Strategic Plan as pacing conditions change.

Historically, the private equity portfolio has been underweight relative to the private equity policy target. Accordingly, staff and Aksia are recommending a 5-year pacing plan in order to reach the 16% private equity policy target by 2025.

Strategic Plan Impact Statement

The Private Equity Pacing Implementation Plan assists the Board in building a diversified private equity and total fund portfolio and aligns with the Strategic Plan Goals of optimizing long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/WL:rm

Attachment: 1. Private Equity Pacing Analysis Presentation by Aksia TorreyCove Partners LLC

Aksia LLC

Los Angeles City Employees' Retirement System Private Equity Pacing Analysis

September 2021



www.aksia.com



The goal of a pacing plan is to provide estimates for the amount of capital that should be deployed on an annual basis to achieve LACERS' target private equity allocation as a percentage of total plan assets



No long-term pacing model has a high degree of precision, but the exercise produces projections and serves as a useful forecasting and planning tool



While market convention is to utilize an extended time period for a pacing study, the top-down allocation decisions are focused on a 12-month basis



Aksia recommends revisiting assumptions and allocation guidelines on an annual basis

Recommendation

Aksia recommends LACERS commit approximately \$1.1 billion in 2021 to private equity to achieve its target allocation of 16.0% by 2025. This recommendation assumes a base case net plan growth rate of 4.0%.

Methodology & Assumptions

The pacing model projects cash flows based on these primary assumptions: individual investment net asset growth, timing of capital calls and timing of distributions.

A per annum pacing commitment is estimated by using assumed future total plan growth in addition to the output of the pacing model.

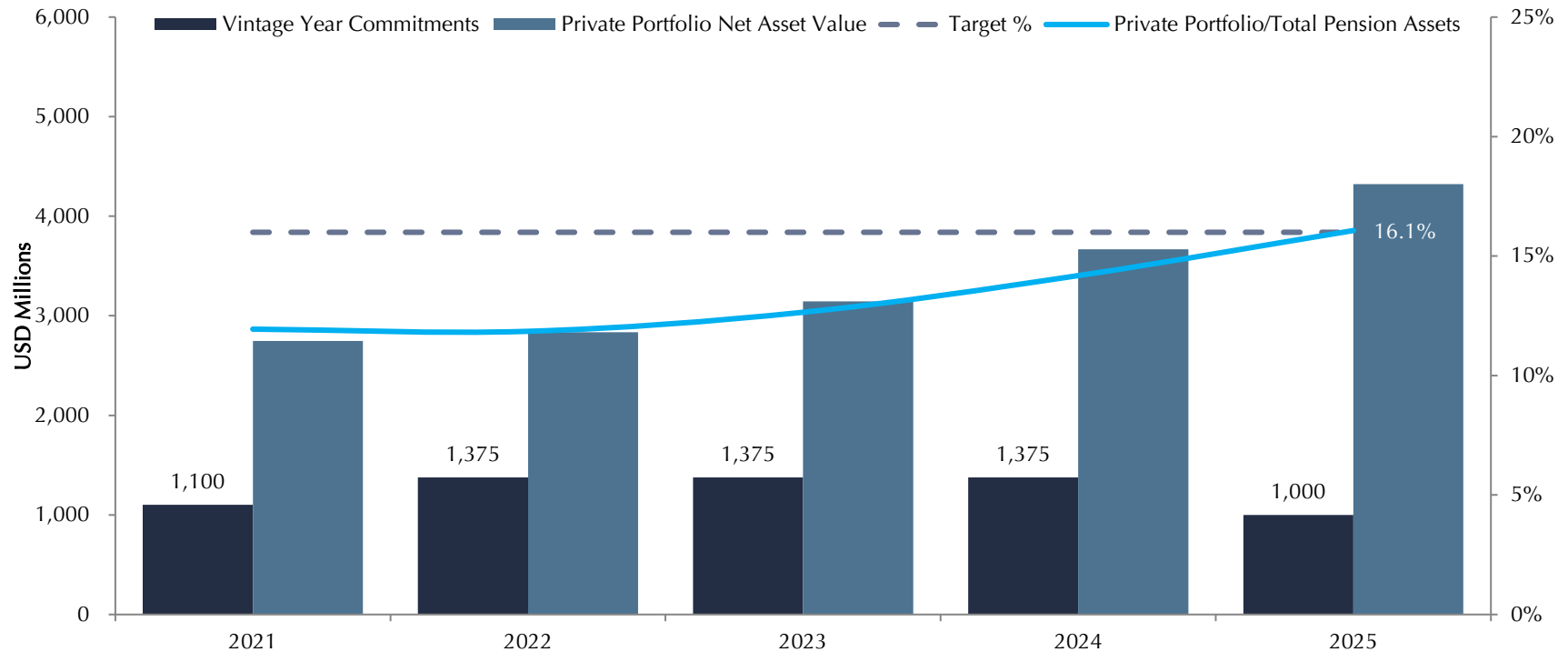
Current Allocation

LACERS' private equity target allocation is 16.0% of total plan assets with a current allocation of approximately 13.3% as of 12/31/2020.

- In order to conduct the pacing analysis, Aksia’s model uses actual fund level historical cash flows and then employs multiple variables as key inputs to project future capital calls, distributions and net asset values, allowing for projection of annual pacing commitment target
- Key assumptions include:
 - Rate of capital calls and distribution by sub-sector strategy
 - Life of the fund or vehicle in years
 - Annual growth rates by sub-sector strategy
 - Capital commitments by sub-sector strategy
 - Fund fees and expenses by sub-sector strategy
 - Annual growth in total pension assets less projected pension expenses

Aksia analyzed the impact to the annual pacing target given the varying assumptions for overall LACERS Plan growth rate and a 16.0% target allocation to private equity

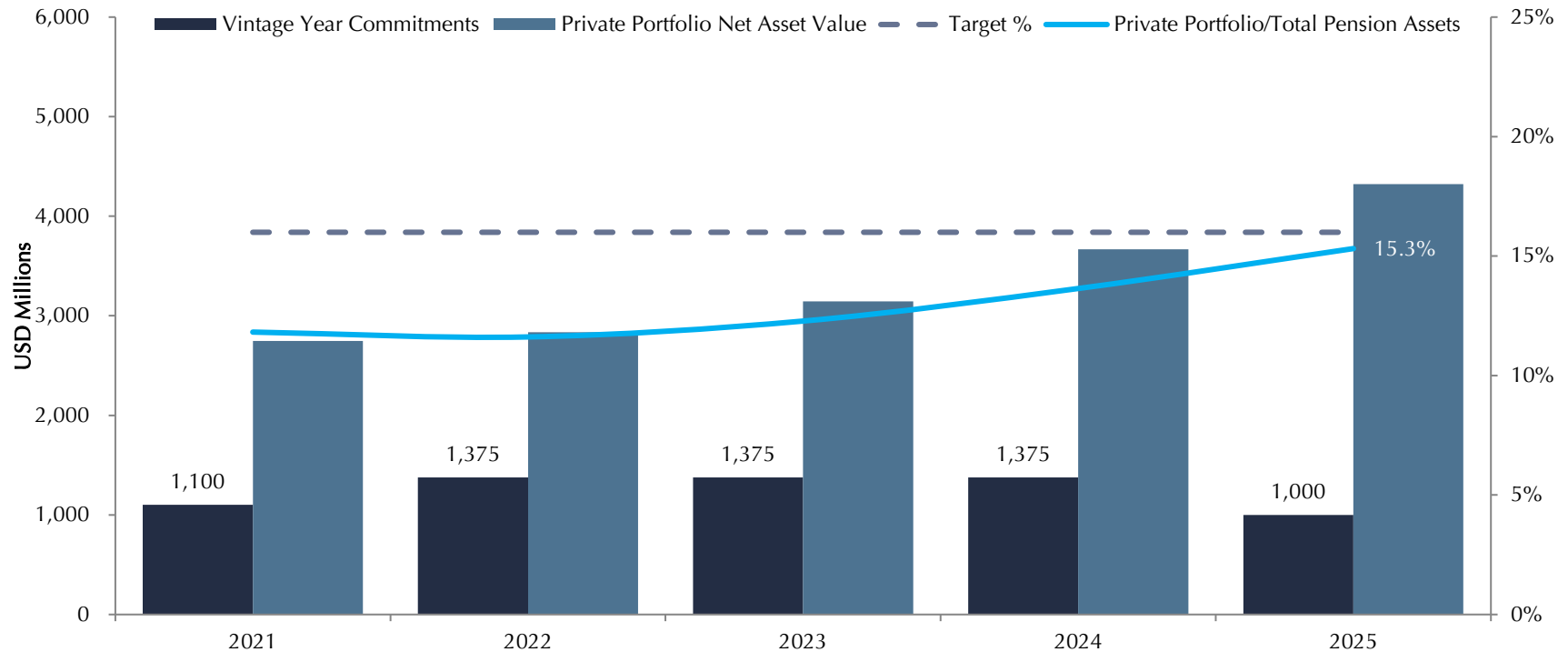
5-Year Target – Assuming 4.0% LACERS Total Plan Growth Rate



Total Plan Assets were \$22.6 billion as of June 30, 2021. PE portfolio valuations as of December 31, 2020. The pacing model above assumes a compounded annual growth rate of 4.0%.

Aksia analyzed the impact to the annual pacing target given the varying assumptions for overall LACERS Plan growth rate and a 16.0% target allocation to private equity

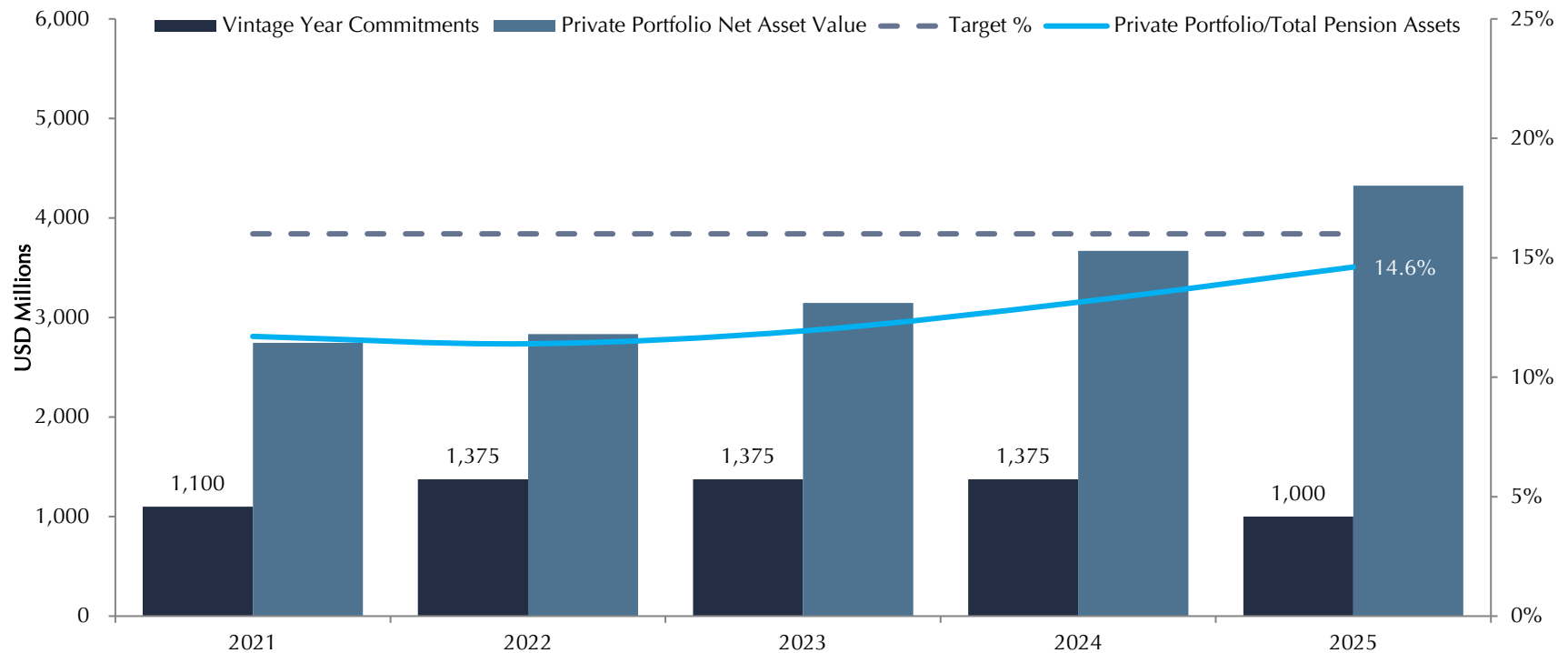
5-Year Target – Assuming 5.0% LACERS Total Plan Growth Rate



Total Plan Assets were \$22.6 billion as of June 30, 2021. PE portfolio valuations as of December 31, 2020. The pacing model above assumes a compounded annual growth rate of 5.0%.

Aksia analyzed the impact to the annual pacing target given the varying assumptions for overall LACERS Plan growth rate and a 16.0% target allocation to private equity

5-Year Target – Assuming 6.0% LACERS Total Plan Growth Rate



Total Plan Assets were \$22.6 billion as of June 30, 2021. PE portfolio valuations as of December 31, 2020. The pacing model above assumes a compounded annual growth rate of 6.0%.

PRIVATE AND CONFIDENTIAL: These materials are strictly confidential and/or legally privileged. These materials are intended only for the use of the individual or entity to which Aksia LLC or an affiliate (collectively, “Aksia”) has sent these materials (“Intended Recipient”) and may not be reproduced or distributed, posted electronically or incorporated into other documents in whole or in part except for the personal reference of the Intended Recipient. If you are not the Intended Recipient you are hereby requested to notify Aksia and either destroy or return these documents to Aksia.

NO OFFERING: These materials do not in any way constitute an offer or a solicitation of an offer to buy or sell funds, private investments or securities mentioned herein. These materials are provided only for use in conjunction with Aksia’s advisory services, as such services are defined in an executed agreement between Aksia and the Intended Recipient (hereinafter, the “Agreement”).

RECOMMENDATIONS: Any Aksia recommendation or opinion contained in these materials is a statement of opinion provided in good faith by Aksia and based upon information which Aksia reasonably believes to be true and certain assumptions made by Aksia (which may be based in part on information relating to the Intended Recipient). Recommendations or opinions expressed in these materials reflect Aksia’s judgment as of the date shown, and are subject to change without notice. Actual results may differ materially from any forecasts discussed in the materials. Except as otherwise agreed between Aksia and the Intended Recipient, Aksia is under no future obligation to review, revise or update its recommendations or opinions.

NOT TAX, LEGAL OR REGULATORY ADVICE: An investor should consult its tax, legal and regulatory advisors before allocating to a private investment fund or other investment opportunity. Aksia is not providing due diligence or tax advice concerning the tax treatments of a private investment fund’s or investment opportunity’s holdings of assets or an investor’s allocations to such private investment fund or opportunity.

RESPONSIBILITY FOR INVESTMENT DECISIONS: The Intended Recipient is responsible for performing its own reviews of any funds or other investment vehicles or opportunities described herein including, but not limited to, a thorough review and understanding of each vehicle’s or opportunity’s offering materials. The Intended Recipient is advised to consult its tax, legal and compliance professionals to assist in such reviews. The Intended Recipient acknowledges that it (and not Aksia) is responsible for its investment decisions with respect to any investment vehicles or opportunities described herein.

No assurances can be given that a particular investment or portfolio will meet its investment objectives. Any projections, forecasts or market outlooks provided herein should not be relied upon as events which will occur. Past performance is not indicative of future results. Use of advanced portfolio construction processes, risk management techniques and proprietary technology does not assure any level of performance or guarantee against loss of capital.

PERFORMANCE DATA: In cases where an investment manager or general partner implements an investment strategy through multiple investment vehicles (for tax purposes, participation in side pockets and new issues, domicile, currency denomination, etc.,) Aksia may use the returns of one class or series of an investment vehicle in a particular program in its reports to represent the returns of all the investment vehicles in such investment program. The returns for the particular class or series used in Aksia’s reports may be different from the returns of the class or series in which the Intended Recipient is invested. To obtain the actual performance of the particular class or series in the Intended Recipient’s portfolio, the Intended Recipient should contact the investment manager or general partner directly.

RELIANCE ON THIRD PARTY DATA: These materials reflect and rely upon information provided by fund managers and other third parties which Aksia reasonably believes to be accurate and reliable. Such information may be used by Aksia without independent verification of accuracy or completeness, and Aksia makes no representations as to its accuracy and completeness. For the avoidance of doubt, these materials have not been produced, reviewed, verified or approved by the fund managers and other third parties to which the materials relate. As such, they do not necessarily reflect the views or opinions of such fund managers and third parties. Furthermore, any reference to EBITDA (or ratios using EBITDA as a component) included in the report, reflect Adjusted EBITDA provided by the fund manager. Adjusted EBITDA may be higher than EBITDA figures calculated based on GAAP or IFRS compliant financial statements, which may result in relatively lower debt/EBITDA and higher interest coverage ratios.

RATING DOWNGRADES: Aksia client assets, in aggregate, may represent a large percentage of a manager's or fund's assets under management, and, as such, a rating downgrade by Aksia's research teams could result in redemptions or withdrawals that may have an adverse effect on the performance of a fund.

CONFLICTS OF INTEREST DISCLOSURE: Family members of Aksia personnel may from time to time be employed by managers that Aksia recommends to its clients. While this may pose a potential conflict of interest, we monitor such relationships to seek to minimize any impact of such potential conflict.

PRIVATE INVESTMENT FUND DISCLOSURE: Investments in private investment funds and other similar investment opportunities involve a high degree of risk and you could lose all or substantially all of your investment. Any person or institution making such investments must fully understand and be willing to assume the risks involved. Some private investment funds and opportunities described herein may not be suitable for all investors. Such investments or investment vehicles may use leverage, hold significant illiquid positions, suspend redemptions indefinitely, provide no opportunity to redeem, modify investment strategy and documentation without notice, short sell securities, incur high fees and contain conflicts of interests. Such private investment funds or opportunities may also have limited operating history, lack transparency, manage concentrated portfolios, exhibit high volatility, depend on a concentrated group or individual for investment management or portfolio management and lack any regulatory oversight.

For a description of the risks associated with a specific private investment fund or investment opportunity, investors and prospective investors are strongly encouraged to review each private investment fund or opportunity's offering materials which contain a more specific description of the risks associated with each investment. Offering materials may be obtained from the fund manager.



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

MEETING: SEPTEMBER 28, 2021

ITEM: X-C

Neil M. Guglielmo

SUBJECT: THE INVESTOR AGENDA'S 2021 GLOBAL INVESTOR STATEMENT TO GOVERNMENTS ON CLIMATE CRISIS AND POSSIBLE BOARD ACTION

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

Recommendation

That the Board:

1. Consider The Investor Agenda's 2021 Global Investor Statement to Governments on the Climate Crisis (Statement); and
2. Authorize the General Manager or his designee to sign onto the Statement on behalf of LACERS.

Executive Summary

As a signatory of the Principles for Responsible Investment (PRI), LACERS has committed to incorporating ESG risk factors into investment decisions. Climate change presents significant risks to the investment portfolios of asset managers and asset owners such as LACERS. The Statement (Attachment 1) urges signatories of the Paris Agreement to develop more ambitious plans to address climate change and place the world on a proper trajectory to limit global warming to 1.5 degrees Celsius. The Statement is the work and product of The Investor Agenda, a proactive collaboration of seven influential organizations (including PRI) working with investors to provide guidance on corporate engagement, investment, policy advocacy and investor disclosure related to climate and global warming issues in order to accelerate the net-zero transition. Consistent with the commitment to evaluate ESG risk factors within the LACERS investment portfolio, the Board should evaluate climate-related risk factors and its impact on LACERS portfolio, and consider becoming a signatory to the Statement.

Discussion

The Paris Agreement is a legally binding international treaty between 191 parties (representing 190 countries and the European Union) of the United Nations Framework Convention on Climate Change (UNFCCC). It was adopted on December 12, 2015, and it became enforceable on November 6, 2016. The Paris Agreement establishes a global framework that devolve upon its party signatories to help prevent dangerous climate change by limiting global warming to below 2 degrees Celsius and pursue

efforts to limit it to 1.5 degrees Celsius (compared to pre-industrial levels). To achieve this long-term temperature goal, Paris Agreement parties aim to reduce greenhouse gas emissions as soon as possible to achieve a climate neutral world by mid-century.

Upon ratification of the Paris Agreement, each party was required to submit an initial Nationally Determined Contribution (NDC) to the UNFCCC secretariat, the United Nations entity tasked with supporting the global response to the threat of climate change. NDCs are plans that embody the efforts by each party to reduce national greenhouse emissions and adapt to the impacts of climate change. Each party is responsible to submit enhanced NDCs every five years to demonstrate its continued commitment to mitigate climate change. The 26th session of the United Nations Climate Change Conference of Parties (COP26), scheduled for 2020 but postponed due to the COVID-19 pandemic, will prioritize the assessment of each party's progress towards long-term goals and enhancements to its respective NDC. COP26 has been rescheduled to take place from October 31 to November 12, 2021.

The 2021 Statement calls upon each of the Paris Agreement parties convening at COP26 to rapidly increase their efforts to combat climate change. The Statement is coordinated for other potential signatories by the seven Founding Partners of The Investor Agenda, and has currently been signed by 587 investors representing over \$46 trillion in assets. The Investor Agenda is a proactive collaboration among the following seven agencies:

- 1) Asia Investor Group on Climate Change (AIGCC) – an initiative to create awareness and encourage action among Asia's asset owners and financial institutions about the risk and opportunities associated with climate change and low carbon investing. AIGCC covers 13 Asia markets with a combined AUM of over \$26 trillion.
- 2) CDF – a not-for-profit charity that runs global disclosure systems for investors, companies, cities, states, and regions to assess their environmental impacts.
- 3) CERES – a nonprofit organization that works with influential capital market leaders to solve the world's greatest sustainability challenges.
- 4) Investor Group on Climate Change (IGCC) – a collaboration of Australian and New Zealand investors focusing on the impact that climate change has on the financial value of investments.
- 5) Institutional Investor Group on Climate Change (IIGCC) – a European membership body for investor collaboration on climate change.
- 6) Principles for Responsible Investment (PRI) – a leading proponent of responsible investment that works to understand investment implications of environmental, social and governance (ESG) factors and utilizes its international network of investor signatories to incorporate these factors into investment and ownership decisions.
- 7) United Nations Environment Program Finance Initiative (UNEP FI) – a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable developments. UNEP FI works with more than 400 members, banks, insurers, and investors

to help create a financial sector that serves people and the planet while delivering positive impacts.

While many of the Paris Agreement parties have enhanced their respective NDCs ahead of COP26, The Investor Agenda sees significant climate and finance policy gaps in a large number of these parties. The Investor Agenda believes that the world's countries and political jurisdictions are on a trajectory that will fall short of limiting global warming to 1.5 degrees Celsius, which underscores the need for Paris Agreement parties to be more ambitious with their climate policies. Lack of greater climate-transition efforts and meaningful measures presents risks to investment portfolios of asset managers and asset owners (including LACERS). Therefore, the Statement urges all parties attending COP26 to implement five priority policy actions:

- 1) Strengthen their NDCs for 2030 before COP26, to align with limiting warming to 1.5 degrees Celsius and ensuring a planned transition to net-zero emissions by 2050 or sooner. Net-zero refers to the balance when the amount of greenhouse gas produced by a country is no more than the amount removed from the atmosphere.
- 2) Commit to a domestic mid-century, net-zero emissions target and outline a pathway with ambitious interim targets including clear decarbonization roadmaps for each carbon-intensive sector.
- 3) Implement domestic policies to deliver these targets, incentivize private investments in zero-emissions solutions to ensure ambitious pre-2030 actions.
- 4) Ensure COVID-19 economic recovery plans support the transition to net-zero emissions and enhance resilience.
- 5) Commit to implementing mandatory climate risk disclosure requirements aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations for more effective climate-related disclosures. Such disclosures would promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

By considering the Statement, the Board is fulfilling its commitment to implement the Principles for Responsible Investment by addressing an environmental risk factor that may negatively impact the performance of the LACERS investment portfolio. Consideration of the Statement is also consistent with the LACERS Geopolitical Risk Policy and ESG Risk Framework, which identify climate change as an ESG risk factor. Other California public pension plans that have signed onto the Statement include California Public Employees Retirement System (CalPERS), California State Teachers Retirement System (CalSTRS), Los Angeles County Employees Retirement Association (LACERA), and San Francisco Employees' Retirement System (SFERS). LACERS' investment managers that have signed onto the Statement include CenterSquare Investment Management, MFS Investment Management, and State Street Global Advisors. The deadline to become a signatory to the Statement is October 20, 2021.

Strategic Plan Impact Statement

Considering the 2021 Global Investor Statement to Governments on the Climate Crisis will assist LACERS with optimizing long-term risk adjusted investment returns (Goal IV) and upholding good governance practices which affirm transparency, accountability and fiduciary duty (Goal V)

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

NMG/RJ/BF/EC:rm

Attachment: 1. 2021 Global Investor Statement to Governments on the Climate Crisis

2021 Global Investor Statement to Governments on the Climate Crisis

This statement, coordinated by the seven Founding Partners of [The Investor Agenda](#), is signed by 457 investors representing over USD \$41 trillion in assets

We stand at the beginning of a pivotal decade in which institutional investors and government leaders worldwide have the power to raise ambition and accelerate action to tackle the climate crisis. If we do not meet this challenge and change course immediately, the world could heat in excess of 3-degrees Celsius this century¹ – far beyond the goal of the Paris Agreement to limit the global average temperature rise to no more than 1.5-degrees Celsius, which scientists say is necessary to avoid the worst impacts of climate change.

To achieve this common goal, we must work together to reduce global net carbon dioxide emissions by 45 percent from 2010 levels by 2030², with a dramatic reduction of all greenhouse gas emissions essential for reaching net-zero emissions by 2050 or sooner. Key to this is ensuring government leaders support sustainable COVID-19 economic recovery efforts consistent with net-zero emissions.

As the world prepares to gather for the 26th United Nations Climate Change Conference of the Parties (COP26), we encourage all countries to significantly strengthen their Nationally Determined Contributions (NDCs) for 2030 and to ensure a planned transition to net-zero emissions by 2050 or sooner. While we recognize the differentiated responsibilities and respective capabilities of countries, we believe that those who set ambitious targets in line with achieving net-zero emissions, and implement consistent national climate policies in the short-to-medium term, will become increasingly attractive investment destinations. Countries that fail to do so will find themselves at a competitive disadvantage.

In this shared global crisis, investors and governments each have a responsibility to act swiftly and boldly. Investors are taking climate action in line with The Investor Agenda, with more investors than ever before embedding net zero goals and strategies into their portfolio decisions, engaging companies to cut their emissions and calling on policymakers to deliver robust climate action. Investors are urgently seeking to decrease their exposure to climate risk as a core fiduciary duty and benefit from the opportunities associated with the transition to a net-zero emissions economy.

However, our ability to properly allocate the trillions of dollars needed to support the net-zero transition is limited by the ambition gap between current government commitments (as set out in NDCs) and the emission reductions needed to limit global average temperature rise to 1.5-degrees Celsius. In addition, as owners of (or those representing owners of) companies, we need access to adequate information on how these companies are assessing and managing the risks and opportunities presented by climate change. Government policy has a critical role to play in increasing our access to and affirmative disclosure of such information.

¹ <https://www.unenvironment.org/emissions-gap-report-2020>

² <https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/>

These gaps – in climate ambition, policy action and risk disclosure - need to be addressed with urgency.

We, therefore, call on all governments in 2021 to:

1. Strengthen their NDCs for 2030 before COP26, to align with limiting warming to 1.5-degrees Celsius and ensuring a planned transition to net-zero emissions by 2050 or sooner.
2. Commit to a domestic mid-century, net-zero emissions target and outline a pathway with ambitious interim targets including clear decarbonization roadmaps for each carbon-intensive sector.
3. Implement domestic policies to deliver these targets, incentivize private investments in zero-emissions solutions and ensure ambitious pre-2030 action through: robust carbon pricing, the removal of fossil fuel subsidies by set deadlines, the phase out of thermal coal-based electricity generation by set deadlines in line with credible 1.5-degrees Celsius temperature pathways, the avoidance of new carbon-intensive infrastructure (e.g. no new coal power plants) and the development of just transition plans for affected workers and communities.
4. Ensure COVID-19 economic recovery plans support the transition to net-zero emissions and enhance resilience. This includes facilitating investment in zero-emissions energy and transport infrastructure, avoiding public investment in new carbon-intensive infrastructure and requiring carbon-intensive companies that receive government support to enact climate change transition plans consistent with the Paris Agreement.
5. Commit to implementing mandatory climate risk disclosure requirements aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, ensuring comprehensive disclosures that are consistent, comparable, and decision-useful.

Strong policies, in line with limiting global warming to no more than 1.5-degrees Celsius, can accelerate and scale up private capital flows towards the net-zero transition. Full implementation of the Paris Agreement will create significant investment opportunities in clean technologies, green infrastructure and other assets, products and services needed in this new economy. In turn, investors can use capital allocation and stewardship to support sustainable activities that generate jobs and economic growth, transition away from carbon-intensive activities and increase resilience. We encourage governments to engage closely with investors to make sure these opportunities are fully realized.

As investors, we are committed to working with governments to ensure policy mechanisms are developed and implemented to transition to a climate resilient net-zero emissions economy by 2050 or sooner.

We urge all governments to step up their collective response to the climate crisis.

Note: The following 457 investor signatories with over USD \$41 trillion in assets are listed in alphabetical order by organisation name.

a.s.r. asset management	Avera Health
Aargauische Pensionskasse (APK)	Aviva Plc
Aberdeen Standard Investments	Avon Pension Fund
Absa Asset Management	Aware Super
Achmea Investment Management	AXA Investment Managers
Active Ownership Fund	Bamboo Capital Partners
Active Super	BancoPosta Fondi Sgr
AIF Capital Limited	BankInvest
Aikya Investment Management	Bâtirente
AIP Management	BayernInvest Kapitalverwaltungsgesellschaft mbH
AkademikerPension	BBGI Global Infrastructure S.A.
Aktia Bank	BBVA Asset Management
Alecta	Bernische Lehrerversicherungskasse
Algebris Investments	Bernische Pensionskasse BPK
AllianceBernstein	BMO Asset Management Ltd
Allianz Global Investors	BNP Paribas Asset Management
Alquity Investment Management Limited	BONUS Pensionskassen Aktiengesellschaft
Alternative Capital Partners SGR Spa	Border to Coast Pensions Partnership
Amberside Capital	Boston Common Asset Management
AMF	Boston Trust Walden
Amundi	Brawn Capital
Anaxis Asset Management	Bridges Fund Management
Andra AP-fonden (AP2)	British Columbia Investment Management Corporation (BCI)
Anesvad Foundation	British Columbia Municipal Pension Plan
Angel Oak Capital Advisors, LLC	British Dietetic Association
Anima Sgr	Brunel Pension Partnership
AP Pension	BT Pension Scheme
AP3 Third Swedish National Pension Fund	Bupa
AP4 Fourth Swedish National Pension Fund	Cadence Investment Partners LLP
AP6 Sixth Swedish National Pension Fund	Caisse Cantonale d'Assurance Populaire - CCAP
AP7 Seventh Swedish National Pension Fund	Caisse de dépôt et placement du Québec (CDPQ)
APG Asset Management	Caisse de pension du Comité international de la Croix-Rouge
ARDEA Investment Management	Caisse de pension Hewlett-Packard Plus
Arisaig Partners	Caisse de pensions de l'Etat de Vaud (CPEV)
Armstrong Asset Management	Caisse de pensions du CERN
Artico Partners	Caisse de pensions du personnel communal de Lausanne (CPCL)
Arvella Investments	Caisse de pensions ECA-RP
As You Sow	Caisse de prév. des Fonctionnaires de Police & des Etablissements Pénitentiaires
Assenagon Asset Management S.A.	Caisse de Prévoyance de l'Etat de Genève
Asset Management One	Caisse de Prévoyance des Interprètes de Conférence (CPIC)
ATISA Personalvorsorgestiftung der Tschümperlin-Unternehmungen	
ATLAS Infrastructure	
ATP	
Ausbil Investment Management Limited	
Australian Ethical Investment	
AustralianSuper	
Avaron Asset Management	



Caisse de prévoyance du personnel communal de la ville de Fribourg	Corporate Responsibility office - Province of Saint Joseph of the Capuchin Order
Caisse de prévoyance du personnel de l'Etat de Fribourg (CPPEF)	Crédit Mutuel Asset Management
Caisse de prévoyance du personnel de l'Etat du Valais (CPVAL)	Dana Investment Advisors
Caisse intercommunale de pensions (CIP)	Danica Pension
Caisse paritaire de prévoyance de l'industrie et de la construction (CPPIC)	Danske Bank Asset Management
Caja Ingenieros	DBAY Advisors Limited
Caja Ingenieros Gestión SGIC	Developing World Markets
California Public Employees Retirement System (CalPERS)	DIF Capital Partners
California State Controller	Discovery Limited
California State Teachers Retirement System	Domini Impact Investments
Calvert Research and Management	Dominican Sisters of Sinsinawa
Canada Post Corporation Pension Plan	Dorval Asset Management
Candriam	DPAM
CAP Prévoyance	Dragon Capital Group
Capital Dynamics	DSM Capital Partners LLC
Capricorn Investment Group	DWS Group
Cardano	Dynam Capital, Ltd
CareSuper	Earth Capital
Carmignac	East Capital Group
Cassa Nazionale di previdenza e assistenza forense	Eastspring Investments Group Pte. Ltd.
Castlefield Investment Partners	Ecofi
Cathay Financial Holdings	EdenTree Investment Management
Cbus Super	EGAMO
CCLA	Ekkio Capital
CCOO, FP	Elo Mutual Pension Insurance Company
CenterSquare Investment Management	EMCORE AG
Central Finance Board of the Methodist Church	Environment Agency Pension Fund
Christian Brothers Investment Services, Inc.	Epworth Investment Management Limited
Christian Super	EQ Investors
Church Commissioners for England	ERAFP
Church of England Pensions Board	Eric Sturdza Investments
Church of Scotland Investors Trust	ESG Portfolio Management
Church of Sweden	Etablissement Cantonal d'Assurance (ECA VAUD)
CIEPP - Caisse Inter-Entreprises de Prévoyance Professionnelle	ETHENEA Independent Investors S.A.
Clean Energy Venture Management, LLC	Ethical Partners Funds Management
CleanCapital	Ethos Foundation
CNP Assurances	Evanston Capital Management, LLC
Colchester Global Investors	Evenlode Investment
Colonial First State	Evli Bank
Committee on Mission Responsibility Through Investment of the Presbyterian Church U.S.A.	Fairpointe Capital
Cooler Future	Falkirk Council Pension Fund
	FAMA Investimentos
	Federated Hermes International
	Fidelity International
	FIM Asset Management
	Finance in Motion
	First Affirmative Financial Network
	FMO - Dutch entrepreneurial development bank

Fondation de la métallurgie vaudoise du
bâtiment (FMVB)
 Fondation de Luxembourg
 Fondation de prévoyance Artes & Comoedia
 Fondation de prévoyance du Groupe BNP
 PARIBAS en Suisse
 Fondation de prévoyance professionnelle en
faveur de AROMED
 Fondation de prévoyance Romande Energie
 Fondation Interprofessionnelle Sanitaire de
Prévoyance (FISP)
 Fondation Leenaards
 Fondation Patrimonia
 Fonditel Pensiones EGFP
 FONDO DE PENSIONES EMPLEADOS DE
TELEFONICA
 Fondoposte
 Fonds de Prévoyance de CA Indosuez
 (Suisse) SA
 Fonds interprofessionnel de prévoyance (FIP)
 Foresight Group
 Första AP-fonden (AP1)
 Friends Fiduciary Corporation
 Fulcrum Asset Management
 FullCycle
 GAM Investments
 Gebäudeversicherung Luzern
 Gebäudeversicherung St. Gallen
 Generation Investment Management LLP
 Gestion FÉRIQUE
 GIB Asset Management
 Glasswing Ventures
 Glennmont Partners
 GOOD GROWTH INSTITUT für globale
Vermögensentwicklung mbH
 Gore Street Capital
 Greater Manchester Pension Fund
 Green Century Capital Management
 Groupama Asset Management
 Groupe La Française
 Handelsbanken Fonder AB
 Handmaids of the Sacred Heart of Jesus
 HESTA
 Hexavest
 Holberg Fondsforvaltning
 HSBC Asset Management
 HSBC Bank Pension Trust (UK) Limited
 IFM Investors
 Ilmarinen Mutual Pension Insurance
 Company
 Impax Asset Management

Inherent Group
 Insight Investment
 Inspired Evolution Investment Management
 (Pty) Ltd
 Intech Investment Management LLC
 Investment Management Corporation of
 Ontario
 Investor Advocates for Social Justice
 Ircantec
 ISGAM AG
 J. Safra Sarasin Sustainable Asset
 Management
 JAB Holding Company Sàrl
 JLens Investor Network
 Joseph Rowntree Charitable Trust
 Jupiter Asset Management
 KBI Global Investors
 Keva
 Khumo Capital (Pty) Ltd
 Kinnerton Credit Management A/S
 Kyma Investment Partners
 La Banque Postale
 La Financière de L'Echiquier
 Lægernes Pension
 Legal & General Investment Management
 Lincluden Investment Management Ltd.
 Liontrust Investment Partners LLP
 Lloyds Banking Group Pensions Trustees
 Limited
 Local Authority Pension Fund Forum
 Local Pensions Partnership
 LocalTapiola Asset Management Ltd
 Lombard Odier Investment Managers
 London Pensions Fund Authority
 Longlead Capital Partners Pte. Ltd.
 Los Angeles County Employees Retirement
 Association (LACERA)
 Luzerner Pensionskasse
 M&G plc
 Macroclimate LLC
 MAIF
 Maitri Asset Management
 Majedie Asset Management
 Man Group plc
 Manulife Investment Management
 Martin Currie Investment Management
 Limited
 Mercer Investments
 Merseyside Pension Fund
 MFS Investment Management
 Miller/Howard Investments, Inc.

MIMCO Capital S.à r.l.	Palisade Investment Partners Limited
Missionary Oblates/OIP Trust	Pantheon Ventures
Mistra, the Swedish Foundation for Strategic Environmental Research	Pathfinder Asset Management
Mitsubishi Corp.-UBS Realty Inc.	PenSam
Mitsubishi UFJ Trust and Banking MN	Pensioenfonds Detailhandel
Montanaro Asset Management	Pensioenfonds Metaal en Techniek (PMT)
MPC Capital	PensionDanmark
Munich Venture Partners	Pensionskasse AR
MV Credit Partners LLP	Pensionskasse Bank CIC (Schweiz)
MYRA Investments	Pensionskasse Basel-Stadt
Nanuk Asset Management	Pensionskasse Bühler AG Uzwil
National Grid UK Pension Scheme	Pensionskasse Caritas
Natural Investments	Pensionskasse der Basler Kantonalbank
NatWest Group Pension Fund	Pensionskasse der Stadt Frauenfeld
NEI Investments	Pensionskasse der Stadt Winterthur
Nest Sammelstiftung	Pensionskasse Pro Infirmis
Neuberger Berman	Pensionskasse Römisch-katholische Landeskirche des Kantons Luzern
Neumeier Poma Investment Counsel, LLC	Pensionskasse Schaffhausen
New Forests	Pensionskasse SRG SSR
New York City Office of the Comptroller	Pensionskasse Stadt Luzern
New York State Comptroller	Pensionskasse Stadt St. Gallen
Newton Investment Management	Pensionskasse Unia
NextEnergy Capital	Personalvorsorgekasse der Stadt Bern
NGS Super Fund	PFA Pension
Nikko Asset Management Co., Ltd.	PGGM
Ninety One	Phitrust
Nissay Asset Management Corporation	PIMCO
NN Investment Partners	PKA
Nomura Asset Management Co., LTD.	Polden-Puckham Charitable Foundation
Nomura Real Estate Asset Management Co., Ltd.	Postevita
Nordea Asset Management	Power Pacific Investment Management Inc.
Norsad Finance Limited	Prévoyance Santé Valais (PRESV)
North East Scotland Pension Fund	prévoyance.ne
Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC)	PriorNilsson Fonder
NorthStar Asset Management, Inc.	Profelia Fondation de prévoyance
Northwest Coalition for Responsible Investment	Prosperita Stiftung für die berufliche Vorsorge
NZ Funds	Qualitas Equity Funds
OFI AM	Quintet Private Bank
Öhman Fonder	Raiffeisen Pensionskasse Genossenschaft
Oldfield Partners	RAM Active Investments SA
OPTrust	Rathbone Brothers PLC
Ossiam	Regroupement pour la Responsabilité Sociale des Entreprises (RRSE)
Ostrum Asset Management	Rentes Genevoises
P+, Pensionskassen for Akademikere	Resona Asset Management Co., Ltd.
P1 Investment Management Ltd	Rize ETF
Pædagogernes Pension (PBU)	Robeco
	Royal London Mutual Insurance Society
	RP - Fonds institutionnel
	RPMI Railpen

Ruffer LLP
 Russell Investments
 Sampension Administrationsselskab A/S
 San Francisco Employees' Retirement System (SFERS)
 Sant Charitable Foundation, Inc.
 Santander Asset Management
 Sarasin & Partners LLP
 SAUL Trustee Company
 Schroders
 Scientific Beta
 SCOR SE
 Scottish Widows Group Limited
 SEB Investment Management
 Secunda Sammelstiftung
 Servite Friars
 Seventh Generation Interfaith Inc
 SharePower Responsible Investing
 Sisters of Mary Reparatrix
 Sisters of St. Francis of Philadelphia
 Sisters of the Holy Cross
 Skandia Fonder
 Skandia Liv
 Smart Private Managers (Luxembourg) S.a.
 Söderberg Partners Asset Management
 Solaris Investment Management Limited
 Sophia University
 Sp-Fund Management Company Ltd
 Spida Personalvorsorgestiftung
 St. Galler Pensionskasse
 St. James's Place Wealth Management
 Stafford Capital Partners
 State Street Global Advisors
 Statewide Super
 Stiftung Abendrot
 Storebrand Asset Management
 Strathclyde Pension Fund
 Sumitomo Mitsui Trust Asset Management
 Summit Charitable Foundation, Inc.
 Sustainable Network
 SVA Zürich
 Swedbank Robur
 Swiss Federal Pension Fund PUBLICA
 Swisscanto Invest by Zürcher Kantonalbank
 Sycomore Asset Management
 Tabula Investment Management Limited
 Tawreeq Holdings Limited
 TBF Global Asset Management
 Telligent Capital Management Limited
 Terra Alpha Investments
 Terre des hommes Schweiz

The Atmospheric Fund
 The Barrow Cadbury Trust
 The Church Pension Fund (Finland)
 The Dai-ichi Life Insurance Company, Limited
 The David Rockefeller Fund
 The Highland Council Pension Fund
 The Pension Protection Fund
 The University of Glasgow
 The William Leech Foundation Limited
 Thematics Asset Management
 TOBAM
 Tribe Impact Capital LLP
 Trillium Asset Management
 Trinetra Investment Management LLP
 Triple Point
 UBS Asset Management
 Unfallversicherungskasse des Basler Staatspersonals
 Union Bancaire Privée, UBP SA
 Union Investment
 Unipol Group
 UniSuper
 Université de Genève (UNIGE)
 Universities Superannuation Scheme - USS
 University of Toronto Asset Management
 Valo Ventures
 Van Lanschot Kempen
 Vancity Investment Management Ltd. (VCIM)
 Varma Mutual Pension Insurance Company
 Vauban Infrastructure Partners
 Velliv
 Vendis Capital
 Verein Barmherzige Brüder von Maria-Hilf (Schweiz)
 Veritas Investment Partners (UK) Limited
 Vert Asset Management
 VidaCaixa
 Vision Super Pty Ltd
 Vontobel
 Vorsorge SERTO
 Washington State Investment Board
 Water Asset Management LLC
 Wermuth Asset Management GmbH
 Wespeth Benefits and Investments
 West Yorkshire Pension Fund
 Wetherby Asset Management
 WHEB Asset Management
 Whitehelm Capital
 Zevin Asset Management
 Zurich Insurance Group



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: SEPTEMBER 28, 2021
ITEM: X-D

SUBJECT: INSTITUTIONAL LIMITED PARTNERS ASSOCIATION'S SUPPORT OF U.S. SECURITIES AND EXCHANGE COMMISSION'S RULE REGARDING FEE TRANSPARENCY OF PRIVATE FUND INVESTMENTS AND POSSIBLE BOARD ACTION

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

Recommendation

That the Board:

1. Consider the Institutional Limited Partners Association (ILPA) letter to United States Securities and Exchange Commission (SEC) Chair Gary Gensler supporting required quarterly fee and expense reporting by private fund advisers; and
2. Authorize the General Manager or his designee to sign onto this letter on behalf of LACERS.

Executive Summary

ILPA is advocating an SEC rulemaking action to require quarterly fee and expense reporting by private fund advisers, and is requesting that institutional investor members support this effort by signing on to a letter to the SEC Chair. Improved fee transparency has been a significant focus of ILPA, and would benefit LACERS through enhanced fee and expense disclosure, reduced negotiation, and improved fund compliance with California fee transparency requirements.

Discussion

LACERS is an active member of ILPA, and is aligned with ILPA's global policy initiatives which include ensuring a level playing field for limited partners by supporting basic minimum standards and effective regulation of private funds. One of ILPA's key policy initiatives is to support policies that require private fund advisers to clearly and consistently articulate all direct and indirect fund-related fees and expenses within fund documents and to report this information to limited partners.

On September 14, 2021, SEC Chair Gary Gensler testified in the Senate Banking Committee that he is setting in motion reforms around fee transparency and conflicts of interest in the private fund industry. The ILPA letter notes that the SEC has found that, since 2014, a material number of private fund

advisers have charged fees and expenses to their limited partners that were not agreed to in the investment contractual agreements. The letter further notes that without clear and consistent disclosure, tracking of fees and expenses is not possible, and notes that State laws in California, Texas, and Maryland require public pensions to obtain certain private fund fee reporting.

As a California public pension plan, LACERS is currently required by California Government Code Section 7514.7 (enacted into law by the passage of Assembly Bill 2833) to collect and report, in a public meeting, LACERS fees and expenses paid to private funds. The law applies to funds that received commitments on and after January 1, 2017. In addition, the law provides for voluntary reporting of funds that received commitments prior to January 1, 2017, provided that subsequent capital commitments have not been made; and LACERS must use reasonable effort to collect disclosure information. Mandated fee disclosure by the SEC may facilitate collection of required fee disclosure information by staff and consultants, and may also provide LACERS better access to prospective funds that have not previously been willing to disclose this information.

The letter also supports a principles based approach for fee reporting instead of a rigid template created by the SEC so that changes in the market can be more easily accommodated. LACERS currently utilizes ILPA's fee and expense reporting template to gather fee and expense information from private funds as required by California law, and a principles based approach will likely not require any changes to LACERS existing practices.

ILPA is requesting that participating institutional investor members become signatories to the letter so that it can be sent to the SEC by October 8, 2021.

Strategic Plan Impact Statement

Supporting ILPA's efforts to improve the consistency and transparency of private fund fee and expense reporting aligns with the Strategic Plan goal of upholding good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

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

NMG/RJ/BF/WL/RK:rm

Attachments: 1. ILPA Letter to the SEC Regarding Private Fund Adviser Fee and Expense Transparency

September XX, 2021

Honorable Gary Gensler
Chair

U.S. Securities and Exchange Commission

100 F Street NE
Washington, D.C. 20549-1090

Institutional Investors Seek SEC Rulemaking Action to Require Quarterly Fee and Expense Reporting by Private Fund Advisers

Dear Chair Gensler,

We, as ILPA¹ and the Institutional Investor Members of ILPA, write to you today seeking SEC rulemaking action that would mandate the regular reporting of all direct and indirect fees and expenses charged by private fund advisers and their affiliates to investors in private funds. Quarterly reporting is necessary to ensure transparency for all investors and ensure investors can validate that the fees charged by private fund advisers conform with contractual agreements.

Since 2014², the SEC has continually indicated that a material number of private fund advisers have continued to charge fees and expenses to their LPs that were not agreed to in the investment contract, both at the fund and portfolio company level or by the adviser and/or its affiliates. Without clear and consistent disclosure, tracking of fees and expenses charged in a private fund is not possible. Beyond the traditional management fee and carry, there are typically a number of fees and expenses charged to the portfolio companies by the private fund adviser and its affiliates, providing a number of potential fee streams to the adviser, which ultimately impacts the returns received by the investors. Adding to the complexity, LPs may have negotiated certain portfolio company fee offsets which reduce the management fees that may be charged. Without regular fee and expense reporting, LPs are unable to verify that these cash flows match the fees that were contractually agreed. While access to this reporting may be attainable through fund negotiations, this leaves basic transparency up to market forces, undermines existing investor protections, constrains capital formation, and disproportionately limits access for smaller institutional investors, including city and county pension plans, in the marketplace.

The urgent need for fee transparency rulemaking has been magnified by specific state laws in California and Texas³ requiring that public pensions in those states obtain certain private fund fee reporting, which may limit investment opportunities to those private funds from which they can negotiate this necessary level of transparency. Industry efforts, led by ILPA and its widely adopted Fee Template that was released

¹ ILPA is the voice of the institutional investors invested in private equity, colloquially known as Limited Partners or LPs. Our 550+ member institutions represent over USD 2 trillion in private equity assets under management globally and include public and private pension funds, insurance companies, university endowments, charitable foundations, family offices and sovereign wealth funds, all of which invest in the U.S. alternative investment market. LPs provide the capital that fuels private equity and venture capital investment, generating economic growth and job creation, across America and around the world.

In addition to providing this critical capital for economic growth, LPs are the trusted financial stewards investing the assets of millions of Americans. Limited partner beneficiaries include teachers, first responders, students receiving university scholarships, charity recipients and insurance policyholders, among others. ILPA is headquartered in Washington, D.C. with additional offices in Toronto, Ontario. For more information on ILPA's members, please visit: <http://www.ilpa.org/members>.

² Spreading Sunshine in Private Equity, U.S. Securities & Exchange Commission (May 6, 2014), *available at*: <https://www.sec.gov/news/speech/2014-spch05062014ab.html>

³ California Assembly Bill 2833 (2016); Texas Senate Bill 322 (2019).

in 2016, have helped coalesce the industry around a standard reporting framework, endorsed by over 130 private fund advisers and LPs, but many limited partners are still unable to receive this level of reporting across their portfolios.

The lengthy track record of SEC examinations and enforcement efforts on this issue, as well as the increased action at the state level calls out for rulemaking action. **We believe the SEC should take action under its existing authority in the Investment Advisers Act of 1940 to create a new rule under Section 206 requiring all private fund advisers to report all direct and indirect fees, expenses and fee offsets charged by the adviser and its affiliates.**

The SEC should ensure this new rule is *principles based*, as opposed to creating a new SEC form or rigid template for fee reporting. A *principles based* rule provides sufficient flexibility to ensure the level of transparency can accommodate market changes in the types of fees and fee offsets charged by private fund advisers and their affiliates without the need for continual SEC rulemaking to update a form or template in coming years. Given that the private funds industry is global in nature, a *principles based* approach will also promote more widespread adoption beyond the use of a specific SEC template. While this may create the appearance of the risk of lack of uniformity in reporting, this can easily be addressed through ongoing staff guidance from the Division of Investment Management and dispensed through Division of Examinations Risk Alerts and SEC examination activities. Ultimately, we believe the industry will be incentivized to coalesce around a common industry standard for the sake of administrative simplicity and the SEC's guidance can be targeted to ensure that the types of fees and offsets charged are clearly delineated.

Sunlight and transparency are the hallmarks of the federal securities laws. It is time for the SEC to bring these principles to the private fund industry to ensure investors, and ultimately their beneficiaries, no longer have to navigate incomplete, inconsistent, and misleading financial disclosure in this industry. For additional questions in regard to this issue, please contact ILPA's Senior Policy Counsel, Chris Hayes, at chayes@ilpa.org.

Sincerely,

XXX *Undersigned Organizations