



Board of Administration Agenda

REGULAR MEETING

TUESDAY, NOVEMBER 24, 2020

TIME: 10:00 A.M.

MEETING LOCATION:

In conformity with the Governor’s Executive Order N-29-20 (March 17, 2020) and due to the concerns over COVID-19, the LACERS Board of Administration’s November 24, 2020, meeting will be conducted via telephone and/or videoconferencing.

Important Message to the Public

Information to call-in to participate:

Dial: (669) 900-6833 or (253) 215-8782

Meeting ID# 835 5160 9664

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 OCTOBER 27, 2020 AND POSSIBLE BOARD ACTION](#)
- III. BOARD PRESIDENT VERBAL REPORT
- IV. GENERAL MANAGER VERBAL REPORT
 - A. REPORT ON DEPARTMENT OPERATIONS
 - B. UPCOMING AGENDA ITEMS
- V. RECEIVE AND FILE ITEMS
 - A. [MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR OCTOBER 2020](#)
 - B. [COMMISSIONER ELIZABETH LEE BOARD EDUCATION EVALUATION ON SACRS ANNUAL FALL CONFERENCE, VIRTUAL; NOVEMBER 10-13, 2020](#)
- VI. COMMITTEE REPORT(S)
 - A. INVESTMENT COMMITTEE VERBAL REPORT FOR THE MEETING ON NOVEMBER 10, 2020
- VII. BOARD/DEPARTMENT ADMINISTRATION
 - A. [PROPOSED REVISION TO THE LACERS TRAVEL POLICY AND POSSIBLE BOARD ACTION](#)
- VIII. INVESTMENTS
 - A. CHIEF INVESTMENT OFFICER VERBAL REPORT
 - B. [INVESTMENT MANAGER CONTRACT WITH CENTERSQUARE INVESTMENT MANAGEMENT LLC REGARDING THE MANAGEMENT OF A U.S. REITS PORTFOLIO AND POSSIBLE BOARD ACTION](#)
 - C. [INVESTMENT MANAGER CONTRACT WITH RHUMLINE ADVISERS LIMITED PARTNERSHIP REGARDING THE MANAGEMENT OF MULTIPLE U.S. INDEX PORTFOLIO MANDATES AND POSSIBLE BOARD ACTION](#)
 - D. [INVESTMENT MANAGER CONTRACT WITH BERZOTT CAPITAL ADVISORS REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP VALUE EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION](#)

- E. [PRIVATE EQUITY PROGRAM 2021 STRATEGIC PLAN AND POSSIBLE BOARD ACTION](#)
- F. [CONTINUED DISCUSSION OF INVESTMENT POLICY MANUAL REVIEW AND POSSIBLE BOARD ACTION](#)
- G. [PRI BOARD ELECTION AND BALLOT MEASURES AND POSSIBLE BOARD ACTION](#)

H. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO OAKTREE REAL ESTATE OPPORTUNITIES FUND VIII, L.P. AND POSSIBLE BOARD ACTION**

IX. DISABILITY RETIREMENT APPLICATION(S)

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

B. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF ALONSA CALDERON AND POSSIBLE BOARD ACTION**

X. OTHER BUSINESS

XI. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, December 8, 2020 at 10:00 a.m. at LACERS, 977 N. Broadway, Suite 260, Los Angeles, CA 90012, and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings while response to public health concerns relating to the novel coronavirus continue.

XII. ADJOURNMENT

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

In conformity with the Governor's Executive Order N-29-20 (March 17, 2020)
and due to the concerns over COVID-19, the
LACERS Board of Administration's
October 27, 2020, meeting was conducted
via telephone and/or videoconferencing.

Agenda of: Nov. 24, 2020

Item No: II

October 27, 2020

10:00 a.m.

PRESENT via Videoconferencing:	President: Vice President: Commissioners: Manager-Secretary: Legal Counselor:	Cynthia M. Ruiz Sung Won Sohn Annie Chao Elizabeth Lee Sandra Lee Nilza R. Serrano Michael R. Wilkinson Neil M. Guglielmo Anya Freedman
PRESENT at LACERS offices:	Executive Assistant:	Ani Ghoukassian

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

Item I taken out of order.

II

APPROVAL OF MINUTES FOR THE REGULAR MEETING OF SEPTEMBER 22, 2020 AND POSSIBLE BOARD ACTION – Commissioner Chao 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 stated that she and Vice President Sohn attended the Milken Institute Virtual Conference in October and they both shared their experiences.

IV

GENERAL MANAGER VERBAL REPORT

- A. REPORT ON DEPARTMENT OPERATIONS – Neil M. Guglielmo, General Manager, advised the Board of the following items:
- LA City Separation Incentive Program (SIP) Update
 - Open Enrollment
 - MSC Stats
 - Transition to real-time text (RTT)
 - Public Pension Coordinating Council (PPCC) Award 2020
 - LACERS Headquarters update
 - Active Member E-Blast
- B. UPCOMING AGENDA ITEMS – Neil M. Guglielmo, General Manager, advised the Board on the following upcoming agenda items:
- Mid-Year Budget
 - June 30, 2020 Actuarial Valuation
 - Return with new LACERS logo options requested by the Board
 - Year End Member Service Request

V

RECEIVE AND FILE ITEMS

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

Item I taken out of order

I

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

VI

COMMITTEE REPORT(S)

- A. INVESTMENT COMMITTEE VERBAL REPORT ON THE MEETING OF OCTOBER 13, 2020 – Commissioner Serrano stated the Committee approved the termination of contracts with AQR Capital Management, LLC and Quantitative Management Associates, LLC, and received a

presentation by Northern Trust regarding LACERS' Securities Lending Program, and the LACERS annual brokerage activity report presented by staff.

VII

INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value at \$19.47 billion as of October 26, 2020. Mr. June discussed the following items:
- Loomis Sayles CEO retiring in March 2021
 - Crescent Capital selling 51% stake to Sun Life Capital
 - Upcoming agenda items: Private Equity Performance Review, Real Estate Performance Review, and Private Equity Commitment Notifications
- B. INVESTMENT MANAGER CONTRACT WITH AQR CAPITAL MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. SMALL CAP EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION – Bryan Fujita, Chief Operating Officer, and Ellen Chen, Investment Officer I, presented this item to the Board for 10 minutes. After discussion, Commissioner Serrano moved approval of the following Resolution:

**CONTRACT TERMINATION
AQR CAPITAL MANAGEMENT, LLC
ACTIVE NON-U.S. SMALL CAP EQUITIES
PORTFOLIO MANAGEMENT**

RESOLUTION 201027-A

WHEREAS, LACERS' current one-year contract extension with AQR Capital Management, LLC for active non-U.S. small cap equities portfolio management expires on January 30, 2021; and,

WHEREAS, AQR was placed "On-Watch" on May 13, 2019, due to performance as of March 31, 2019, in accordance with the LACERS Manager Monitoring Policy (Policy); and,

WHEREAS, AQR's "On Watch" status was extended for another one-year period effective May 14, 2020 for continued breach of Policy criteria based on performance as of March 31, 2020; and,

WHEREAS, as of September 30, 2020, the strategy continues to underperform the benchmark and breach Policy criteria; and,

WHEREAS, on October 27, 2020, the Board approved the Investment Committee's recommendation to terminate the contract with AQR and transition AQR's assets to the SSgA MSCI EAFE Small Cap Index Non-Lending Fund, a passive commingled fund available to LACERS under the Multi-Passive Index Portfolio Management contract with State Street Global Advisors (State Street).

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the termination of the AQR contract and authorizes LACERS staff to redeploy AQR's assets to the SSgA MSCI EAFE Small Cap Index Non-Lending Fund managed by State Street.

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.

- C. INVESTMENT MANAGER CONTRACT WITH QUANTITATIVE MANAGEMENT ASSOCIATES, LLC REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS CORE EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION – Commissioner Elizabeth Lee moved approval of the following Resolution:

**CONTRACT TERMINATION
QUANTITATIVE MANAGEMENT ASSOCIATES, LLC
ACTIVE EMERGING MARKETS CORE EQUITIES
PORTFOLIO MANAGEMENT**

RESOLUTION 201027-B

WHEREAS, LACERS' current one-year contract extension with Quantitative Management Associates, LLC (QMA) for active emerging markets core equities portfolio management expires on December 31, 2020; and,

WHEREAS, QMA was placed "On-Watch" on July 29, 2019, due to performance as of June 30, 2019, in accordance with the LACERS Manager Monitoring Policy (Policy); and,

WHEREAS, QMA's "On Watch" status was extended for another one-year period effective July 29, 2020 for continued breach of Policy criteria based on performance as of June 30, 2020; and,

WHEREAS, as of September 30, 2020, the strategy continues to underperform the benchmark and breach Policy criteria; and,

WHEREAS, on October 27, 2020, the Board approved the Investment Committee's recommendation to terminate the contract with QMA and transition QMA's assets to the SSgA Daily MSCI Emerging Markets Index Non-Lending Fund, a passive commingled fund available to LACERS under the Multi-Passive Index Portfolio Management contract with State Street Global Advisors (State Street).

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the termination of the QMA contract and authorizes LACERS staff to redeploy QMA's assets to the SSgA Daily MSCI Emerging Markets Index Non-Lending Fund managed by State Street.

Which motion was 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. CONTINUED DISCUSSION OF SECURITIES LENDING PROGRAM MODIFICATIONS AND POSSIBLE BOARD ACTION – Bryan Fujita, Chief Operating Officer, and Jeremiah Paras, Investment Officer I, presented this item to the Board. After discussion, 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.

- E. CONTINUED DISCUSSION OF TEMPORARY ASSET ALLOCATION AND REBALANCING POLICIES AND POSSIBLE BOARD ACTION – Rod June, Chief Investment Officer, presented this item to the Board. After discussion, Commissioner Wilkinson moved approval, 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

CLOSED SESSION

- A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b)(1): GENERAL MANAGER 2019-20 PERFORMANCE EVALUATION AND POSSIBLE BOARD ACTION**

The Board had no further discussion on the General Manager 2019-20 performance evaluation and did not convene in closed session.

IX

BOARD/DEPARTMENT ADMINISTRATION

- A. CONSIDERATION OF 2019-20 GENERAL MANAGER’S MERIT PAY AND POSSIBLE BOARD ACTION – Commissioner Wilkinson moved approval to increase General Manager Neil M. Guglielmo’s merit pay by 5%, 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.
- B. RECEIVE AND FILE – GASB 68 AND GASB 75 VALUATIONS BASED ON JUNE 30, 2019 MEASUREMENT DATE FOR EMPLOYER REPORTING AS OF JUNE 30, 2020 – Rahoof “Wally” Oyewole, Department Chief Accountant IV and Andy Yeung, Actuary with Segal discussed this item with the Board for 10 minutes. The report was received by the Board and filed.

X

OTHER BUSINESS – No other business was discussed.

XI

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, November 10, 2020 at 10:00 a.m. at LACERS, 977 N. Broadway, Suite 260, Los Angeles, CA 90012, and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings while response to public health concerns relating to the novel coronavirus continue.

XII

ADJOURNMENT – There being no further business before the Board, President Ruiz adjourned the Meeting in the memory of Ed Harding, LACERS Retiree who passed away on October 16, 2020 and Commissioner Elizabeth Lee asked to adjourn the meeting in the memory of Evangelina Bustamante, LACERS Retiree who passed away on October 22, 2020. The meeting was adjourned at 11:22 a.m.

Cynthia M. Ruiz
President

Neil M. Guglielmo
Manager-Secretary

Agenda of: NOV. 24, 2020

Item No: V-A

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

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

BOARD MEMBER:

Commissioner Michael R. Wilkinson

DATE(S) OF EVENT	SEMINAR / CONFERENCE TITLE	EVENT SPONSOR (ORGANIZATION)	LOCATION (CITY, STATE)
October 1-2, 2020	PREA Annual Investors Conference	Pension Real Estate Assoc.	Virtual

Agenda of: NOV. 24, 2020

Item No: V-A

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

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

BOARD MEMBER:

President Cynthia M. Ruiz
Vice President Sung Won Sohn

DATE(S) OF EVENT	SEMINAR / CONFERENCE TITLE	EVENT SPONSOR (ORGANIZATION)	LOCATION (CITY, STATE)
October 12-21, 2020	Milken Institute Global Conference	Milken Institute	Virtual

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM (LACERS)
TRAVEL/CONFERENCE EVALUATION REPORT**

Name of Attendee: Elizabeth Lee	
Title of Conference/Seminar: SACRS Annual Fall Conference	
Location: Virtual	No. of Education Hours: 9.25
Event Sponsor: SACRS	Date(s) Held: 11/11 to 11/13/20

Report for:

- Travel
 Conference/Seminar Attendance Only

-
- I. Nature/Purpose of Travel (if applicable): N/A Virtual Conference
- II. Significant Information Gained: The conference covered a wide range of topics including the consequences of U.S. Presidential elections, the state of pandemic economy and economic policies, taxation, U.S-China relations, pandemic recovery, trustee governance and fiduciary responsibilities, racial and gender equality and the importance of diversity, commercial real estate debt and investment in renewal energy. Mr. Suneel Gupta shared leadership lessons and actionable items on how to become "backable" person.
- III. Benefits to LACERS: It is important for me as a trustee to be up to date on social, political, economic issues and future perspectives to help make policy decisions on LACERS investments and operations. The leadership webinar, "Backable 2.0", assists my interaction with the board and representation of LACERS members. The trustee training also provided a refresher course on fiduciary roles and responsibilities.
- IV. Additional Comments:

SUBMIT TO THE LACERS COMMISSION EXECUTIVE ASSISTANT, 202 W. FIRST STREET, SUITE 500
WITHIN 30 DAYS AFTER ATTENDING THE CONFERENCE/SEMINAR



REPORT TO BOARD OF ADMINISTRATION

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

MEETING: NOVEMBER 24, 2020
ITEM: VII - A

SUBJECT: PROPOSED REVISION TO THE LACERS TRAVEL POLICY AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board approve the revised Board Travel Policy of the LACERS Board Administrative Policies.

Executive Summary

The Governance Committee is in support of the proposed revisions to the Board Travel Policy related to two areas: 1) air travel, and 2) the travel advance policy.

Discussion

On November 10, 2020, the Governance Committee considered revisions to the Board Travel Policy. The Committee is in agreement with the proposed changes to provide travelers with more options in the area of airline reservations. Travelers may choose a non-stop flight if the airline ticket is in coach/economy class and that the cost is no more than 50% higher than the lowest cost flight with one layover. LACERS travelers are encouraged to use CalTravelStore for their air travel arrangements but may book through another travel service or directly with an airline. Travelers purchasing their own airline tickets will be reimbursed the lower of the actual cost of the ticket or 150% of the lowest cost one-stop fare for the same days of travel. When booking outside of CalTravelStore all responsibilities for making changes, cancellations, seeking refunds or credits fall solely on the traveler. The purchase of traveler's insurance is recommended if booking outside of CalTravelStore; this cost is covered by the traveler and is not reimbursable.

The Committee is also in support of the proposed changes to the LACERS travel advance policy to be in alignment with the policies of our sister pension systems, the Los Angeles Fire and Police Pensions

and the Water and Power Employees' Retirement Plan. The revisions include moving the travel advance request submission deadline from 30 calendar days to 15 business days before the date of travel, but no earlier than 30 calendar days. It is also recommended that the limit of the travel advance amount be lowered from 100% of the travel expense estimate to 90% of that total. Lastly, it is proposed that only cash advance requests with an amount of over \$500 be granted.

Strategic Alignment

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.

Prepared By: Edeliza Fang, Senior Benefits Analyst II

NMG/TB:DW:EF

Attachment: Governance Committee Report dated November 10, 2020



LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

BOARD Meeting: 11/24/20
Item VII – A
Attachment 1



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

MEETING: NOVEMBER 10, 2020
ITEM: III

Neil M. Guglielmo

SUBJECT: PROPOSED REVISION TO THE LACERS TRAVEL POLICY AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee consider the proposed revision to the Board Travel Policy of the LACERS Board Administrative Policies.

Executive Summary

Revision of the Board Travel Policy is proposed to provide LACERS business travelers with more options and added flexibility in the areas of air travel and travel advances. The recommended changes related to air travel include: 1) allowing the reservation of non-stop flights when booking through the City’s authorized business travel agency, CalTravelStore, if the cost of the airline ticket is no more than 50% higher than the lowest cost of flight with one layover; and 2) reimbursing traveler-purchased airline tickets up to 150% of the lowest fare ticket with one layover, for the same days of travels. Modifications to the travel advance policy are also proposed to mirror the policy of LACERS’ sister pension systems in the City.

Discussion

On September 22, 2020, staff presented to the Board proposed revisions to the LACERS Travel Policy which had been considered by the Governance Committee on August 25, 2020. The Board discussed the advantages and limitations of using CalTravelStore as LACERS’ exclusive source for all air travel needs. The Board referred the item back to the Governance Committee for an alternative recommendation.

Proposed are enhancements to the Travel Policy to provide travelers with more options when making airline reservations. Travelers may choose a non-stop flight so long as the airline ticket is in coach/economy class, and that the cost is no more than 50% higher than the lowest cost flight with one layover (e.g., a \$600 non-stop airline ticket is allowable if the lowest cost ticket with one stop is \$400). LACERS continues to encourage travelers to use CalTravelStore as it lessens the administrative burden on both the traveler and staff not only in dealing with airline reservations, airfare payment, and

reimbursement but also in situations wherein air travel changes, cancellations, and associated charges, refunds or credits of air travel costs are involved. Reserving through CalTravelStore limits the number of parties involved since arrangements are handled entirely by the travel service and the LACERS travel coordinator, which makes for an efficient process when issues arise. However, should travelers elect to purchase their own airline tickets, LACERS will reimburse the lower of the actual cost of the ticket or 150% of the lowest cost one-stop fare for the same days of travel. All responsibilities for making changes, cancellations, seeking refunds or credits fall solely on the traveler. It is strongly recommended that the traveler purchase traveler's insurance if using an outside travel agency. This cost is the responsibility of the traveler and will not be reimbursed by LACERS.

Additionally, changes to the LACERS travel advance policy are recommended. After reviewing the policies of LACERS' sister pension systems, the Los Angeles Fire and Police Pensions (LAFPP) and the Water and Power Employees' Retirement Plan (WPERP), staff proposes modifications to mirror the policies of LAFPP and WPERP.

The proposed changes are in the following areas:

Appendix B – Travel Expense Reimbursement Policy

Section II – Transportation (pages 1-2)

A. Air Travel

- Adding the following language to state LACERS' current practice: "Travelers are strongly encouraged to use the City's authorized business travel service, CalTravelStore, to book airline reservations, but may use another travel service or reserve directly with an airline."
- Airline tickets purchased outside of CalTravelStore will be reimbursed at the lower of the actual cost of the ticket or 150% of the lowest cost one-stop airfare for the same days of travel (personal travel days excluded). The traveler will be responsible for the handling of any changes, cancellations, refunds, and credits. Purchase of traveler's insurance is recommended. The cost of this coverage is solely the responsibility of the traveler.
- Travelers are allowed to book non-stop flights provided that the seat is in coach or economy class and that the cost is no more than 50% higher than the lowest cost flight with one stop for the same travel dates.
- If the airline ticket is purchased outside of CalTravelStore, the traveler is responsible for obtaining a quote, generated on the same day as the flight booking, from CalTravelStore. This quote, to be used for cost comparison purposes, shall be for a one-stop coach/economy class ticket from any airline for the same days of travel.

Section IV – Non-Reimbursable Travel Expenses (page 11)

A. Travel Advances

- Adding "traveler's insurance" as another cost that cannot be reimbursed by LACERS.

Section V – Other Rules and Restrictions (pages 12-13)

B. Travel Advances

- Establishing the amount advanced to the traveler at 90% of the estimated total travel expense. In addition, a travel advance will not be issued if this amount is less than \$500 in total.
- Allowing travelers to submit written requests for a travel advance fifteen (15) business days prior to the date of travel but no earlier than thirty (30) calendar days before travel.
- Deleting “airfare” from the list of allowable travel expenses that a traveler may request a cash advance for.

Appendix C – Board Travel Reimbursement Checklist

Section I – Steps for Travel Approval and Reimbursement (page 15)

Step 4: Book flight

- Removing language referencing the need to secure three fare quotes as well as the need to submit said quotes.
- Adding the need to submit the CalTravelStore quote to establish the base fare. This quote is for a one-stop coach/economy class ticket from any airline for the same days of travel.

Step 5: Submit written justification for items requiring pre-approval from the Board President or Vice President

- Revising language to state “Requests for reimbursement of airfare which is more than 150% of the lowest cost one-stop airfare” to establish reimbursement threshold for airfare.
- Deleting language requiring the traveler to provide justification for airfare that exceeds the lowest regular fare.
- Revising the deadline/time period wherein travel advance requests are to be submitted.

Section II – Reimbursement Checklist (pages 16-17)

Air Travel Table

- Deleting the language requiring the submission of three air fare quotes.
- Adding the requirement of submitting the airline ticket receipt and the CalTravelStore quote.

Other Transportation Table

- Adding language requiring the submission of airfare/rail travel confirmation and/or transportation receipt from the taxi, shuttle, or private car service.

There are two attachments to this report: (A) a red-line version of the policy appendices showing the proposed changes, and (B) a clean version of the proposed policy appendices accepting the changes to the red-line version. Upon the Committee’s finalization of the proposed revised LACERS Travel Policy, it will be presented to the Board for further consideration and approval.

Strategic Alignment

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

Prepared By: Edeliza Fang, Senior Benefits Analyst II

NMG/TB:DW:EF

Attachments: 1. Board Education and Travel Policy, Appendix B and Appendix C – Red-line Version
2. Board Education and Travel Policy, Appendix B and Appendix C – Clean Version

Section 1.0 GUIDANCE FOR BOARD MEMBERS

**APPENDIX B
 LACERS TRAVEL EXPENSE REIMBURSEMENT POLICY
 AND RELATED PROVISIONS OF CITY TRAVEL POLICY
 (LAAC Chapter 5, Article 4, §§ 4.242.1-4.242.9)**

Approved: March 11, 2014;

Revised: September 23, 2014; January 22, 2019; **November 10, 2020**

H. GENERAL GUIDELINES

A copy of the Travel and Education Policy including the Guidelines for Travel and Personal Expenses will be provided to new Board Members and staff before processing their first travel request.

A. LACERS considers an individual traveling if:

- i) the travel is outside the geographic boundaries of Los Angeles County [LAAC §4.242.2]; and more than 50 miles away from both LACERS' offices and the traveler's home; and
- ii) the duties require the individual to be away from the general area of the individual's primary residence substantially longer than an ordinary day's work; or
- iii) the individual needs to sleep or rest to meet the demands of work while away from the primary residence.

B. Costs incurred on travel days which are not conference days are allowable (subject to limitations covered in the applicable sections of the guidelines): (i) on the day before the first educational session of the conference or seminar if transportation on the first conference day would require the traveler to leave his/her point of departure (e.g., home) earlier than 9:00 a.m.; or (ii) on the day after the last educational session of the conference or seminar if transportation on the last conference day would cause the traveler to get to his/her final destination (e.g., home) after 8:00 p.m.

C. Board approval of travel is required prior to payment of any related fees. If a Traveler elects to personally incur travel-related fees prior to the Board's approval, the Traveler assumes personal financial liability that his or her expenses may not be reimbursed.

II. TRANSPORTATION

A. AIR TRAVEL	
LAAC Requirement	LACERS Policy
<p>Except in the case of official necessity, air travel expenses are allowable only for the lowest regular fare available for regularly scheduled airlines for the date and time selected [§4.242.2(a)(1)]</p> <p>Claims for reimbursement of higher fare or extra charges for transportation by schedule airlines are allowable only if certified by the Department Head¹ that</p>	<ol style="list-style-type: none"> 1. Air travel may be used when it is the most efficient means of travel. 2. Travelers are strongly encouraged to use the City's authorized business travel service, CalTravelStore, to book airline reservations, but may use another travel service or reserve directly with an airline. 3. Purchase of airline tickets outside of CalTravelStore is allowed and will be reimbursed at the lower of the actual cost of

¹ Pursuant to Board Resolution 140311-C, Department Head authority to approve and certify travel expenditures is delegated as follows: the Board President approves Board Member and General Manager expenditures; the Vice President approves Board President expenditures; the General Manager approves staff expenditures.

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<p>he or she has reviewed and concurs with the facts constituting the official necessity. [§4.242.2(a)(1)]</p>	<p>the ticket or 150% of the lowest cost one-stop airfare for the same days of travel (personal travel days excluded). Traveler is responsible for the handling of any changes, cancellations, refunds, and credits involving non-CalTravelStore reservations. Purchase of traveler’s insurance is recommended for such reservations. Traveler bears this cost, not LACERS.</p> <ol style="list-style-type: none"> 4. Air travel shall be at coach or economy fare. Coach or economy fare is presumed to be the lowest regular fare available for regularly scheduled airlines. Airfare quotes from several airlines are not necessary. 5. Non-stop flights are permissible if the airline ticket is coach or economy class and if the cost is no more than 50% higher than the lowest cost flight with one stop. 6. If the airline ticket is purchased from a travel service other than CalTravelStore or directly from the airline, the traveler is required to obtain a quote from CalTravelStore generated on the same day the flight was booked. The quote shall be for a one-stop coach/economy class ticket from any airline for the same days of travel. It will be used for cost comparison purposes as part of the reimbursement process. 7. When the airfare receipt shows an upgrade to business or first class accommodation <ol style="list-style-type: none"> a. Without further justification, the traveler may be reimbursed at the lower of the lowest regular fare rate available² and actual cost, or b. the traveler shall provide a memo stating the case of official necessity, for approval by the Department Head¹. 8. LACERS will pay directly for airfare booked with the City’s authorized business travel service, CalTravelStore. 9. If CalTravelStore is not used, LACERS travelers must use their personal credit card to book flights or other modes of transportation. 10. Consistent with Federal and City travel standards, coupons, or promotional mileage
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Section 1.0 GUIDANCE FOR BOARD MEMBERS

	<p>credits earned by the traveler during the course of LACERS business travel may be used for LACERS or personal business. The traveler will not be reimbursed for such coupons or promotional mileage credits used for LACERS travel.</p> <p>11. Fees for the first checked baggage will be reimbursed. Fees for additional checked baggage may be reimbursed if a justification for an official business need is provided.</p> <p>12. The cost of air flight insurance is not eligible for reimbursement.</p> <p>13. With pre-approval of the Department Head, refundable airline tickets may be purchased if the traveler provides acceptable justification that the benefit of booking a refundable ticket outweighs the risk of changes in travel plans.</p>
B. PERSONAL VEHICLE OR NON-AIR TRANSPORTATION	
LAAC Requirement	LACERS Policy

Section 1.0 GUIDANCE FOR BOARD MEMBERS

<p>In all instances where a mode of transportation other than regularly scheduled airlines is chosen, the Department Head¹ shall authorize such alternate mode of transportation in advance and the allowable cost shall be the actual cost of the alternate mode of transportation or the cost allowable under Subsection (a)1, whichever is less. [§4.242.3.(a)(2)]</p> <p>In the case of travel by modes of transportation other than regularly scheduled airlines, transportation costs shall be the regular fare for the mode of transportation chosen. [§4.242.3(a)]</p> <p>In the instance of the use of private automobile, mileage shall be in accordance with mileage provisions of Division 4, Chapter 5, Article 2 of the Administrative Code. [§4.242.3.(a)(2)]</p>	<p>14. Pre-approval by the Department Head¹ is required for all non-air travel in advance of travel. Travelers must submit the following items for pre-approval:</p> <ul style="list-style-type: none"> a. For travelers using personal automobiles for business purposes – Provide proof of automobile insurance at minimum coverage levels as follows: \$25,000 injury to or death of one person; and, \$50,000 injury to or death of more than one person; and, \$5,000 property damage for any one accident. b. Cost comparisons are required for all non-air travel, with exceptions listed below: Traveler shall submit: a quote for the lowest regular fare available for regularly scheduled airlines to the destination for the date and time selected; and the cost for regular fare on the alternative mode of transportation. <u>Exceptions</u> (no cost comparison is required): If traveling by vehicle to neighboring counties of Orange, Riverside, San Diego, San Bernardino, Ventura, Kern, Santa Barbara, and San Luis Obispo, or to the San Francisco Employees Retirement System to transport sensitive computer equipment for the LACERS emergency hot/warm site. <p>15. Receipts for alternate modes of travel are required. Reimbursement will be for the lower of the actual cost of transportation or lowest regular airfare verified by Accounting prior to encumbrance of the travel request.</p> <p>16. Mileage reimbursement</p> <ul style="list-style-type: none"> a. Mileage reimbursement for the Board will be calculated on a roundtrip basis between official’s residence and official destination. b. Mileage reimbursement for staff will be based on the distance in excess of home to City office for travels during regular work days; for other days, reimbursement will be based on a roundtrip between staff’s residence and official destination.
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² The acceptable amount will be the fare verified by the Accounting staff prior to encumbrance of the travel request.

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	<ol style="list-style-type: none">17. Additional travel time and expenses (such as meals and lodging) incurred in choosing other than the fastest and most direct mode of transportation are at the traveler's own personal time and expense.18. Claims for repairs, replacements, towage, gas and car insurance are not reimbursable.19. Ground transportation refers to transportation from home to airport, airport to hotel and/or conference/ meeting/seminar location, and back. This includes taxis, shuttles, limousines, and private vehicles.20. Mileage reimbursement is provided when personal vehicle is used for ground transportation to/from airport. Commissioner's mileage reimbursement will be computed based on roundtrip miles from residence to airport. Staff mileage reimbursement will be computed based on the distance in excess of home to City office for travels during regular work day; and roundtrip miles from residence to airport on non-work days.
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C. GROUND TRANSPORTATION	
LAAC Requirement	LACERS Policy
<p>The least expensive and most practical form of public transportation shall be used, taking into consideration such factors as time, availability, and personal safety or health. [§4.242.3.(c)]</p>	<p>21. Reimbursement for airport parking is actual amount, not to exceed \$20 per day. Pre-approval is not required. Reimbursement for actual amounts in excess of \$20 per day requires the traveler submitting a memo to justify the expense based on time, availability, and personal safety or health.</p> <p>22. Reimbursement for use of taxi, shuttle, private car or limousine service is limited to the lesser of roundtrip taxi fare (http://www.taxifarefinder.com)² or shuttle fare (http://www.shuttlefare.com)².</p>
D. AUTOMOBILE RENTAL	
LAAC Requirement	LACERS Policy
<p>Such expenses are allowable if traveling by car is less expensive or more appropriate for the efficient conduct of City business than by taxi or bus. [§4.242.3.(d)]</p>	<p>23. Pre-approval by the Department Head¹ is required. Travelers must provide written justification that the traveling by car is less expensive or more efficient in conducting LACERS business than by use of taxi or bus.</p> <p>24. The traveler will not be reimbursed for car rental insurance within the United States. Car rental insurance costs required in foreign countries may be claimed for reimbursement.</p>

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² The acceptable amount will be the fare verified by the Accounting staff prior to encumbrance of the travel request.

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III. LODGING, MEALS AND INCIDENTAL EXPENSE ALLOWANCE

A. LODGING	
LAAC Requirement	LACERS Policy
<p>This section is not intended to preclude an employee or elected official from staying in a hotel where the meeting or convention to be attended is held. [§4.242.3.(b)(1)]</p>	<p>25. Acceptable documentation shall include original itemized hotel receipt marked 'Paid in Full' or showing a zero balance; otherwise, proof of payment is also required.</p> <p>26. Reimbursement for lodging in a hotel where the meeting or convention to be attended is deemed the most practical accommodation and permissible.</p> <p>27. A traveler may elect to stay in a hotel sponsored by the conference as it is presumed to be the most practical or convenient. The reimbursement will be limited to the lesser of the actual hotel costs incurred or the conference hotel rate.</p> <p>28. For any official System travel for training, due diligence trips, meetings with investment managers, or training where hotels are not pre-designated, the traveler should select the most economical lodging taking into consideration the proximity of the selected place to conduct the official System business, traveler's safety, time and transportation costs and other relevant factors. Any of the following methods are acceptable for determining "moderately priced establishments of acceptable quality", "the most economical and practical accommodations", and those which would be presumed not to meet the IRS definition of "lavish and extravagant" accommodations:</p> <ul style="list-style-type: none"> (i) Lodging does not exceed the highest Federal domestic lodging per diem rate; cost comparison is not necessary; or (ii) The most economical hotel identified using the City traveler provider website (www.concursolutions.com/), with availability, with at least a 3 star rating on a 5 star scale travel, and within walking distance or no less than ½ mile radius of the first business location; or

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<p>In the selection of restaurants and hotel rooms, it is expected that individuals will seek moderately priced establishments of acceptable quality. [LAAC §4.242.3.(b)]</p> <p>An employee or elected official must consider transportation costs, time, and other relevant factors in selecting the most economical and practical accommodations. [§4.242.3.(b)(1)]</p>	<p>(iii) The most practical hotel on the above list with acceptable written justification; or</p> <p>(iv) Any lodging expenses may be reimbursed provided that the expense does not exceed 300% of the lodging per diem and traveler must clearly demonstrate no other acceptable alternative lodging was available, as in the event of a state of emergency, or other justifiable reason reviewed and certified by the Department Head¹ as reasonable and proper, and incurred in the pursuit of System business.</p> <p>29. Reimbursement is limited to single occupancy room rate, as documented on hotel letterhead or the hotel’s room rates listing, plus applicable taxes and charges unless additional occupants are LACERS trustees/staff on official LACERS business.</p>
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B. MEALS AND INCIDENTAL EXPENSES (M&IE)

LAAC Requirement	LACERS Policy
<p>Expenses incurred by an employee or elected official for food and beverage served at meals, scheduled receptions, or other functions necessary for the conduct of City business are allowable to a maximum of three meals a day. [§4.242.3.(b)(2)]</p>	<p>30. LACERS intends to be compliant with IRS accountable plan rules, therefore M&IE allowance will be provided only when business travel results in a necessity for lodging. LACERS will provide travelers with a standard meal allowance at the Federal per diem rate per locale. The allowance, in lieu of providing receipts, is acceptable under the IRS accountable plan rules. The IRS (Publication 463) defines meals and incidental expenses include: meals, transportation to acquire meals, fees/tips to porters, baggage carriers, bellhops, hotel maids, wait staff, and other service providers.</p> <p>31. No meal allowance will be paid when meals are provided throughout the day by the host or at the conference.</p> <p>32. Prorating the standard meal allowance – The IRS permits LACERS to adopt its own</p>

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	<p>rules for prorating the standard meal allowance on partial days of travel so long as we consistently apply the method in accordance with reasonable business practice.</p> <p>The meal and incidental expense allowance will be prorated from a daily allowance to a per meal period allowance on partial days of travel; and when some meals are prepaid/to be paid by LACERS (complimentary breakfast provided at the hotel, meals at the conference, or pre-paid to comply with the City/LACERS gift restrictions.</p> <p>The M&IE allowance = incidental expense + breakfast allowance (if traveling between 1AM – 9AM) + lunch allowance (if traveling between 9AM – 5PM) + dinner allowance (if traveling between 5PM – 1AM).</p> <p>Utilize the M&IE per travel locale and provide an allowance for each meal period the traveler is away from home (based on the current Federal General Services Agency six tiered M&IE allowance):</p> <table border="1" data-bbox="857 1144 1417 1373"> <thead> <tr> <th>Total</th> <th>Breakfast</th> <th>Lunch</th> <th>Dinner</th> <th>IE</th> </tr> </thead> <tbody> <tr> <td>\$46</td> <td>\$7</td> <td>\$11</td> <td>\$23</td> <td>\$5</td> </tr> <tr> <td>\$51</td> <td>\$8</td> <td>\$12</td> <td>\$26</td> <td>\$5</td> </tr> <tr> <td>\$56</td> <td>\$9</td> <td>\$13</td> <td>\$29</td> <td>\$5</td> </tr> <tr> <td>\$61</td> <td>\$10</td> <td>\$15</td> <td>\$31</td> <td>\$5</td> </tr> <tr> <td>\$66</td> <td>\$11</td> <td>\$16</td> <td>\$34</td> <td>\$5</td> </tr> <tr> <td>\$71</td> <td>\$12</td> <td>\$18</td> <td>\$36</td> <td>\$5</td> </tr> </tbody> </table>	Total	Breakfast	Lunch	Dinner	IE	\$46	\$7	\$11	\$23	\$5	\$51	\$8	\$12	\$26	\$5	\$56	\$9	\$13	\$29	\$5	\$61	\$10	\$15	\$31	\$5	\$66	\$11	\$16	\$34	\$5	\$71	\$12	\$18	\$36	\$5
Total	Breakfast	Lunch	Dinner	IE																																
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<p>Gratuities. Such expenses, not exceeding 15%, are allowable where reasonable and customary. [§4.242.3.(h)]</p>	<p>33. Gratuities are included in the IRS definition of “incidental” expenses and are therefore subject to per diem limits. Reimbursement for restaurant gratuities are calculated as up to 15 percent of the restaurant bill exclusive of taxes, except when the gratuity percentage is required and the amount is added on the bill by the service provider.</p>																																			

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IV. OTHER EXPENSES

LAAC Requirement	LACERS Policy
<p>(j) Other Expenses. Expenses not specifically set forth in other subsections of this section that are incurred by an employee or an elected official are allowable where deemed necessary in the conduct of City business; provided that such expenses have been reviewed and certified by the Department Head¹ as reasonable and proper and incurred in pursuit of City business. Wherever the type of expenditure is not specifically listed in this section, the employee or elected official should be prepared to absorb the cost as a personal expenditure in the event that such expense is not certified by the Department Head¹. [§4.242.3.(j)]</p>	<p>34. Other travel expenses are allowable when deemed necessary in the conduct of System business provided such expenses are reviewed and certified by the Department Head¹ as reasonable, proper, and incurred in pursuit of System business. Otherwise, these expenses become personal expenditures.</p> <p>35. Travel Interruptions – When there is an interruption or deviation from planned travel due to bona fide public emergencies outside of the traveler’s control such as weather or shutdown of air travel, travelers may be reimbursed at full cost for emergency lodging, meals, and incidental expenses.</p> <p>36. Indirect Travel - whether for the traveler’s personal leave or for convenience, expenses allowable will not exceed those that would have been incurred for uninterrupted travel utilizing the direct travel route or travel days. Supporting documentation showing the cost for direct travel and the deviation should be provided by the traveler.</p>

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IV. NON-REIMBURSABLE TRAVEL EXPENSES

LAAC Requirement	LACERS Policy
<p>Expenditures which are incurred by an employee or elected official that are of a purely personal nature will not be reimbursed by the City.</p> <ul style="list-style-type: none"> a) Auto repairs, replacement or towage to personal vehicle when such use has been authorized (see established City procedures for repair to City vehicle); b) Flight insurance; c) Personal telephone calls (except those specified in Section 4.242.3 (g) of this article); d) Expenses for persons other than the employee or elected official, except as specified in Section 4.242.3 (b) 2. [§4.242.4] 	<p>37. Expenditures which are not substantive to LACERS business will not be reimbursed by LACERS, such as:</p> <ul style="list-style-type: none"> a) Any expenses related to entertainment and recreational activities; b) Flight upgrade fees for seats other than coach or economy; c) Internet usage fees (unless the internet is used for City business); d) Any expenses related to alcohol and tobacco; e) Traveler's insurance. <p>38. The traveler must submit reimbursement for personal expenditures paid by LACERS.</p> <p>If there are portions of the conference or seminar that are entertainment in nature and not business-related (e.g., golf tournaments, musical performances or concerts, etc.), the traveler is required to reimburse LACERS for the cost of these recreational activities.</p>

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V. OTHER RULES AND RESTRICTIONS

A. DOCUMENTATION OF EXPENSES - PERSONAL EXPENSE STATEMENTS	
LAAC Requirement	LACERS Policy
<p>All expenses claimed shall be listed on separate forms provided and used for required documentation of travel expense.</p> <p>Completed travel expense forms shall be forwarded to the Controller within thirty (30) days of the conclusion of the trip.</p> <p>The Department Head¹ shall certify that all expenditures were incurred in pursuit of City business. Falsification of such certification shall be grounds for appropriate disciplinary action and such other sanctions provided by law.</p> <p>Receipts shall be provided for transportation costs incurred under Section 4.242.3(a), lodging, and for any single item of expenditure in excess of \$25.00. Receipts for expenditures under \$25.00 should be presented when available. [LAAC § 4.242.7]</p>	<p>39. All expenses claimed for reimbursement must be itemized on the Personal Expense Statement (PES - Form Gen. 16).</p> <p>40. The traveler is responsible for verifying all charges on receipts before making payment. Charges made in error will not be reimbursed.</p> <p>41. Original receipts are required for any single expenditure in excess of \$25. Receipts are not required for a meal and incidental expense allowance, regardless of amount, when the Federal per diem rate per locale is provided to the traveler and prorated in accordance with LACERS' policy.</p>
B. TRAVEL ADVANCES	
LAAC Requirement	LACERS Policy
<p>Requests for an advance for funds shall be submitted to the Controller, where feasible, at least ten (10) days in advance of the beginning of the planned expenditure of funds and such request shall include the persons traveling, period covered, and the destination. In addition, the request should state the purpose of the trip, the nature of the City business to be conducted on the trip, and the proposed total estimated expenditure. Documentation of actual expenses incurred shall be submitted to the Controller in conformance with Section 4.242.7.</p>	<p>42. For trips of one night or more, a travel advance may be requested. The amount advanced is limited to the lodging, meal and incidental expenses per diem. Only 90% of the total travel estimate is advanced. A travel advance will not be issued if this amount is less than \$500 in total.</p> <p>43. Written requests for the travel advance are to be submitted by the Traveler to the CEA/travel coordinator for approval at least thirty (30) days fifteen (15) business days prior to the date of travel but no earlier than thirty (30) calendar days prior to travel. The request must include a statement certifying that the traveler has no outstanding cash advance.</p> <p>44. A cash advance request will be denied if</p>

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	<p>a traveler has an outstanding cash advance for past travel with does not comply with the procedures.</p> <p>45. Regular travel advances will be released no earlier than one (1) week before travel.</p> <p>46. Outstanding travel advances not accounted for and delinquent over 120 days will be included as part of an employee's wages on the first payroll period of the subsequent calendar quarter following the end of the 120 calendar days; and, for non-City employees, IRS Form 1099-Misc will be issued per IRS Federal, State, Local Government Taxable Fringe Benefit Guide. Nothing herein eliminates the traveler's obligation to return to the Fund any excess monies that were received that were not used for approved travel expenses.</p> <p>47. Future travel advances will not be processed for traveler(s) with delinquent PES over 30 days. Requests for reimbursement may be processed in advance of the travel for expenditures such as registration fees, airfare and/or one-night hotel deposit. To ensure timely processing of the reimbursement, such requests along with supporting documents and proof of payment (credit card statement, etc.) must be submitted to the CEA/travel coordinator, in writing, at least fifteen (15) working days before the date of travel.</p> <p>48. Advanced payment for cancelled travel: Any amount that was paid by department in advance of travel is considered an advance. In the event of the need to cancel the trip, the traveler is responsible for notifying all payees to as soon as possible to avoid/minimize cancellation fees</p> <p>a. If cancellation was due to personal reasons, the traveler must personally reimburse the department for any amount not recovered (net of cancellation fees). If the refund or credit was issued directly to the traveler,</p>
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	<p>traveler must pay LACERS the entire amount of credit received within 14 calendar days from the credit issued date.</p> <ul style="list-style-type: none">b. If travel was cancelled due to the business or public reason, traveler is responsible to submit a justification along with the proper documentation to the General Manager within 14 calendar days from the cancelled date.c. Unrecovered amounts are reported as taxable income to the traveler. The traveler may be required to pay for future airfare using their own credit card, and LACERS will reimburse airfare upon completion of travel.
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APPENDIX C BOARD TRAVEL REIMBURSEMENT CHECKLIST

Adoption Date: May 26, 2009

Revised Dates: June 22, 2010; December 13, 2011; March 11, 2014; **November 10, 2020**

I. STEPS FOR TRAVEL APPROVAL AND REIMBURSEMENT:

Step 1: Provide details of the educational event to the Commission Executive Assistant (CEA)

Step 2: Submit information on estimated expenses to the CEA

Fees Paid Directly By LACERS:

Step 3: Register for the Conference

- Conference registration and registration fees can be arranged through the CEA prior to the conference date. Registration fees are paid directly by LACERS with no out-of-pocket expenses for the traveler;
 - Under State and City gift laws, complimentary conferences or conference-related events could be considered gifts. LACERS will evaluate the circumstances with the assistance of the City Ethics Commission and may be required to pay a pro-rata share of conference expenses provided by the hosting organization.
- Or, after the fact, submit a receipt showing a zero balance as proof of payment.

Step 4: Book flight

- Provide desired flight numbers, dates, and times to the CEA. The CEA will book the flight. ~~Flights booked through the City's travel service negate the need to secure three fare quotes.~~ The City's travel service will also provide a flight credit if the traveler is unable to fly and proper notification is given.
- Or after the fact, submit a receipt for the purchase of the airline ticket and **three fare quotes, for cost comparison, the CalTravelStore quote for a one-stop coach/economy class ticket from any airline and for the same days of travel** generated on the same day the flight was booked. Reimbursement is limited to the lowest regular fare/**economy rate**.

Items Requiring Pre-Approval for Expenditure Reimbursement:

Step 5: Submit written justification for items requiring pre-approval from the Board President or Vice President. If approval is not secured prior to incurring the expense, reimbursement may not be granted.

- Requests for reimbursement of airfare which ~~exceeds the lowest regular fare is more than 150% of the lowest cost one-stop airfare~~ – justification should demonstrate the official necessity of the selected flight. ~~Attach to the request three air fare quotes generated on the same day the flight was booked.~~
- Requests for transportation other than air flight – justification should indicate reasons for use of the alternate mode of transportation.
- Requests for cash advances to cover lodging and per diem for meals must be submitted ~~30 days~~ **15 business days, but no earlier than 30 calendar days**, prior to the commencement of travel. See further instructions below.

After the Travel has been completed, submit report and receipts:

Step 6: Submit an Event Evaluation Report within thirty (30) days of the conclusion of the trip

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- The report is required prior to reimbursement

Step 7: Submit a Personal Expense Statement (PES) within thirty (30) days of the conclusion of the trip:

- Itemize all reimbursable daily expenses for lodging, transportation, and miscellaneous expenses; list the per diem for meals and incidentals.
- Report expenses paid directly by LACERS as a deduction to the total reimbursable amount
- See further instructions on the following checklist

II. REIMBURSEMENT CHECKLIST:

ALLOWABLE TRAVEL COSTS	REQUIRED DOCUMENTS
AIR TRAVEL	
<p><u>Air Travel</u> Air travel expenses are only allowable for the lowest regular fare available. If the flight with the lowest regular fare is not booked, reimbursement will only be for the lowest regular fare.</p> <p>If three fare quotes are not submitted, the lowest regular fare will be determined by a quote from the City’s travel agent for a direct flight, coach class, 14 days prior to the date of business travel. The CEA will determine the reasonable flights to be quoted which best meet the conference dates and times.</p> <p>Exceptions allowing reimbursement for a higher cost fare may be approved by the General Manager for “official necessity.” Official necessity means there is a bona fide benefit to LACERS for taking the selected flight which outweighs the cost of the higher fare.</p>	<p><u>Transportation Expenses</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> Submit a receipt showing a zero balance as proof of payment for airfare <input type="checkbox"/> If purchasing outside of CalTravel Store, provide three air fare quotes from the same date as the booked flight, the airline ticket receipt and CalTravelStore quote demonstrating that the selected flight is the lowest regular fare practically available the cost of the booked flight is no more than 50% higher than the quote, for the same days of travel, from CalTravelStore. <input type="checkbox"/> Provide three air fare quotes from the same date as the booked flight, <input type="checkbox"/> Provide written justification of the “official necessity” for any higher cost fare if seeking reimbursement above the lowest fare rate. The General Manager must concur for the expense to be submitted for reimbursement.
OTHER TRANSPORTATION	
<p><u>Bus or Rail Travel</u> The allowable cost shall be the actual cost for the regular fare for the bus/rail travel.</p> <p><u>Automobile Rental</u> Automobile rental expenses are allowable if traveling by automobile is less expensive or</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Submit request for pre-approval from the General Manager for all modes of transportation other than regularly scheduled airlines. <input type="checkbox"/> Submit request for pre-approval from the General Manager demonstrating that

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<p>more appropriate than by other modes of transportation.</p> <p><u>Private Automobile</u> The allowable cost shall be the actual total mileage rate allowance as determined by the Internal Revenue Service (IRS).</p>	<p>traveling by rental car is less expensive or more appropriate for the efficient conduct of City business than by taxi or bus.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Submit request for pre-approval from the General Manager, and include a satisfactory liability insurance policy covering the full use and operation of the vehicle. The limits of liability on any such policy shall not be less than \$25,000 in the case of injury to or death of one person, and \$50,000 in the case of injury to or death of more than one person; and in the case of property damage, not less than \$5,000 in any one accident <input type="checkbox"/> Submit airfare confirmation (provided by CalTravelStore, other travel service, and airline), rail travel confirmation notice or transportation receipt from taxi, shuttle, or private car service.
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REGISTRATION FEES

<p><u>Registration Fees</u> Reimbursable if paid by the Trustee</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Submit a receipt showing a zero balance as proof of payment
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LODGING

<p>Hotels generally offer specially rated room blocks for conference participants. The Trustee may stay at an “off-site” hotel if the room blocks are exhausted.</p> <p>Transportation costs, time, and other relevant factors must be considered in selecting the most economical and practical accommodations.</p> <p>An extra-night stay is allowable if it sufficiently reduces the airfare, or if the conference commences early in the morning or adjourns late in the evening.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Submit receipt showing a zero balance as proof of payment. Personal credit card information must be redacted from the receipt. <input type="checkbox"/> If lodging is for other than single occupancy, secure a rate sheet or other documentation of the single occupancy rate.
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MEALS & INCIDENTAL EXPENSES

<ul style="list-style-type: none"> o The meal and incidental per diem for domestic travel is currently \$71 per day. o Incidental expenses are fees and gratuities provided to service workers, 	<p>Receipts for meals and incidental expenses are not required.</p>
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Section 1.0 GUIDANCE FOR BOARD MEMBERS

<p>and for transportation costs in acquiring meals.</p> <ul style="list-style-type: none"> ○ The daily allowance is prorated at 75% on days of travel, and if some meals are provided by the hotel or conference. ○ No meal allowance is provided when meals are provided throughout the day by the hosting organization. ○ The rate for international travel is in accordance with current Federal per diem rate guidelines. 	<ul style="list-style-type: none"> <input type="checkbox"/> Submit justification letter if claiming reimbursement for expenses exceeding the per diem allowance.
<p>MISCELLANEOUS EXPENSES</p>	
<p><u>Checked Baggage Fees</u> Such expenses are allowable when the Trustee is charged for the first checked bag.</p> <p><u>Laundry Service</u> Such expenses are allowable if the duration of the trip, traveling conditions, or some other special circumstances dictate.</p> <p><u>City Business Telephone Calls</u> Such expenses are allowable if the telephone calls are relevant to appropriate City business.</p> <p><u>Personal Telephone Calls</u> Such expenses are allowable for one call to the Trustee’s immediate family if they are located within the locale of their residence.</p> <p>If travel is in excess of three (3) days, one such call is permitted for each successive three (3) days thereafter.</p> <p>Each call should last a reasonable amount of time, such as 10 minutes per call.</p> <p><u>Ground Transportation</u> Transportation between the traveler’s residence and airport, and transportation between the airport and conference location.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Baggage fees for second and additional items require a justification memo that it meets a business purpose. <input type="checkbox"/> Submit receipts for all miscellaneous expenses.

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**APPENDIX B
 LACERS TRAVEL EXPENSE REIMBURSEMENT POLICY
 AND RELATED PROVISIONS OF CITY TRAVEL POLICY
 (LAAC Chapter 5, Article 4, §§ 4.242.1-4.242.9)**

Approved: March 11, 2014;
 Revised: September 23, 2014; January 22, 2019; November 10, 2020

H. GENERAL GUIDELINES

A copy of the Travel and Education Policy including the Guidelines for Travel and Personal Expenses will be provided to new Board Members and staff before processing their first travel request.

- A. LACERS considers an individual traveling if:
 - i) the travel is outside the geographic boundaries of Los Angeles County [LAAC §4.242.2]; and more than 50 miles away from both LACERS' offices and the traveler's home; and
 - ii) the duties require the individual to be away from the general area of the individual's primary residence substantially longer than an ordinary day's work; or
 - iii) the individual needs to sleep or rest to meet the demands of work while away from the primary residence.

- B. Costs incurred on travel days which are not conference days are allowable (subject to limitations covered in the applicable sections of the guidelines): (i) on the day before the first educational session of the conference or seminar if transportation on the first conference day would require the traveler to leave his/her point of departure (e.g., home) earlier than 9:00 a.m.; or (ii) on the day after the last educational session of the conference or seminar if transportation on the last conference day would cause the traveler to get to his/her final destination (e.g., home) after 8:00 p.m.

- C. Board approval of travel is required prior to payment of any related fees. If a Traveler elects to personally incur travel-related fees prior to the Board's approval, the Traveler assumes personal financial liability that his or her expenses may not be reimbursed.

II. TRANSPORTATION

A. AIR TRAVEL	
LAAC Requirement	LACERS Policy
<p>Except in the case of official necessity, air travel expenses are allowable only for the lowest regular fare available for regularly scheduled airlines for the date and time selected [§4.242.2(a)(1)]</p> <p>Claims for reimbursement of higher fare or extra charges for transportation by schedule airlines are allowable only if certified by the Department Head¹ that</p>	<ol style="list-style-type: none"> 1. Air travel may be used when it is the most efficient means of travel. 2. Travelers are strongly encouraged to use the City's authorized business travel service, CalTravelStore, to book airline reservations, but may use another travel service or reserve directly with an airline. 3. Purchase of airline tickets outside of CalTravelStore is allowed and will be reimbursed at the lower of the actual cost of

¹ Pursuant to Board Resolution 140311-C, Department Head authority to approve and certify travel expenditures is delegated as follows: the Board President approves Board Member and General Manager expenditures; the Vice President approves Board President expenditures; the General Manager approves staff expenditures.

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<p>he or she has reviewed and concurs with the facts constituting the official necessity. [§4.242.2(a)(1)]</p>	<p>the ticket or 150% of the lowest cost one-stop airfare for the same days of travel (personal travel days excluded). Traveler is responsible for the handling of any changes, cancellations, refunds, and credits involving non-CalTravelStore reservations. Purchase of traveler’s insurance is recommended for such reservations. Traveler bears this cost, not LACERS.</p> <ol style="list-style-type: none"> 4. Air travel shall be at coach or economy fare. Coach or economy fare is presumed to be the lowest regular fare available for regularly scheduled airlines. Airfare quotes from several airlines are not necessary. 5. Non-stop flights are permissible if the airline ticket is coach or economy class and if the cost is no more than 50% higher than the lowest cost flight with one stop. 6. If the airline ticket is purchased from a travel service other than CalTravelStore or directly from the airline, the traveler is required to obtain a quote from CalTravelStore generated on the same day the flight was booked. The quote shall be for a one-stop coach/economy class ticket from any airline for the same days of travel. It will be used for cost comparison purposes as part of the reimbursement process. 7. When the airfare receipt shows an upgrade to business or first class accommodation <ol style="list-style-type: none"> a. Without further justification, the traveler may be reimbursed at the lower of the lowest regular fare rate available² and actual cost, or b. the traveler shall provide a memo stating the case of official necessity, for approval by the Department Head¹. 8. LACERS will pay directly for airfare booked with the City’s authorized business travel service, CalTravelStore. 9. If CalTravelStore is not used, LACERS travelers must use their personal credit card to book flights or other modes of transportation. 10. Consistent with Federal and City travel standards, coupons, or promotional mileage
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Section 1.0 GUIDANCE FOR BOARD MEMBERS

	<p>credits earned by the traveler during the course of LACERS business travel may be used for LACERS or personal business. The traveler will not be reimbursed for such coupons or promotional mileage credits used for LACERS travel.</p> <p>11. Fees for the first checked baggage will be reimbursed. Fees for additional checked baggage may be reimbursed if a justification for an official business need is provided.</p> <p>12. The cost of air flight insurance is not eligible for reimbursement.</p> <p>13. With pre-approval of the Department Head, refundable airline tickets may be purchased if the traveler provides acceptable justification that the benefit of booking a refundable ticket outweighs the risk of changes in travel plans.</p>
B. PERSONAL VEHICLE OR NON-AIR TRANSPORTATION	
LAAC Requirement	LACERS Policy

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<p>In all instances where a mode of transportation other than regularly scheduled airlines is chosen, the Department Head¹ shall authorize such alternate mode of transportation in advance and the allowable cost shall be the actual cost of the alternate mode of transportation or the cost allowable under Subsection (a)1, whichever is less. [§4.242.3.(a)(2)]</p> <p>In the case of travel by modes of transportation other than regularly scheduled airlines, transportation costs shall be the regular fare for the mode of transportation chosen. [§4.242.3(a)]</p> <p>In the instance of the use of private automobile, mileage shall be in accordance with mileage provisions of Division 4, Chapter 5, Article 2 of the Administrative Code. [§4.242.3.(a)(2)]</p>	<p>14. Pre-approval by the Department Head¹ is required for all non-air travel in advance of travel. Travelers must submit the following items for pre-approval:</p> <ul style="list-style-type: none"> a. For travelers using personal automobiles for business purposes – Provide proof of automobile insurance at minimum coverage levels as follows: \$25,000 injury to or death of one person; and, \$50,000 injury to or death of more than one person; and, \$5,000 property damage for any one accident. b. Cost comparisons are required for all non-air travel, with exceptions listed below: Traveler shall submit: a quote for the lowest regular fare available for regularly scheduled airlines to the destination for the date and time selected; and the cost for regular fare on the alternative mode of transportation. <u>Exceptions</u> (no cost comparison is required): If traveling by vehicle to neighboring counties of Orange, Riverside, San Diego, San Bernardino, Ventura, Kern, Santa Barbara, and San Luis Obispo, or to the San Francisco Employees Retirement System to transport sensitive computer equipment for the LACERS emergency hot/warm site. <p>15. Receipts for alternate modes of travel are required. Reimbursement will be for the lower of the actual cost of transportation or lowest regular airfare verified by Accounting prior to encumbrance of the travel request.</p> <p>16. Mileage reimbursement</p> <ul style="list-style-type: none"> a. Mileage reimbursement for the Board will be calculated on a roundtrip basis between official's residence and official destination. b. Mileage reimbursement for staff will be based on the distance in excess of home to City office for travels during regular work days; for other days, reimbursement will be based on a roundtrip between staff's residence and official destination.
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¹Pursuant to Board Resolution 140311-C, Department Head authority to approve and certify travel expenditures is delegated as follows: the Board President approves Board Member and General Manager expenditures; the Vice President approves Board President expenditures; the General Manager approves staff expenditures.

² The acceptable amount will be the fare verified by the Accounting staff prior to encumbrance of the travel request.

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	<ol style="list-style-type: none">17. Additional travel time and expenses (such as meals and lodging) incurred in choosing other than the fastest and most direct mode of transportation are at the traveler's own personal time and expense.18. Claims for repairs, replacements, towage, gas and car insurance are not reimbursable.19. Ground transportation refers to transportation from home to airport, airport to hotel and/or conference/ meeting/seminar location, and back. This includes taxis, shuttles, limousines, and private vehicles.20. Mileage reimbursement is provided when personal vehicle is used for ground transportation to/from airport. Commissioner's mileage reimbursement will be computed based on roundtrip miles from residence to airport. Staff mileage reimbursement will be computed based on the distance in excess of home to City office for travels during regular work day; and roundtrip miles from residence to airport on non-work days.
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C. GROUND TRANSPORTATION	
LAAC Requirement	LACERS Policy
<p>The least expensive and most practical form of public transportation shall be used, taking into consideration such factors as time, availability, and personal safety or health. [§4.242.3.(c)]</p>	<p>21. Reimbursement for airport parking is actual amount, not to exceed \$20 per day. Pre-approval is not required. Reimbursement for actual amounts in excess of \$20 per day requires the traveler submitting a memo to justify the expense based on time, availability, and personal safety or health.</p> <p>22. Reimbursement for use of taxi, shuttle, private car or limousine service is limited to the lesser of roundtrip taxi fare (http://www.taxifarefinder.com)² or shuttle fare (http://www.shuttlefare.com)².</p>
D. AUTOMOBILE RENTAL	
LAAC Requirement	LACERS Policy
<p>Such expenses are allowable if traveling by car is less expensive or more appropriate for the efficient conduct of City business than by taxi or bus. [§4.242.3.(d)]</p>	<p>23. Pre-approval by the Department Head¹ is required. Travelers must provide written justification that the traveling by car is less expensive or more efficient in conducting LACERS business than by use of taxi or bus.</p> <p>24. The traveler will not be reimbursed for car rental insurance within the United States. Car rental insurance costs required in foreign countries may be claimed for reimbursement.</p>

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² The acceptable amount will be the fare verified by the Accounting staff prior to encumbrance of the travel request.

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III. LODGING, MEALS AND INCIDENTAL EXPENSE ALLOWANCE

A. LODGING	
LAAC Requirement	LACERS Policy
<p>This section is not intended to preclude an employee or elected official from staying in a hotel where the meeting or convention to be attended is held. [§4.242.3.(b)(1)]</p>	<p>25. Acceptable documentation shall include original itemized hotel receipt marked 'Paid in Full' or showing a zero balance; otherwise, proof of payment is also required.</p> <p>26. Reimbursement for lodging in a hotel where the meeting or convention to be attended is deemed the most practical accommodation and permissible.</p> <p>27. A traveler may elect to stay in a hotel sponsored by the conference as it is presumed to be the most practical or convenient. The reimbursement will be limited to the lesser of the actual hotel costs incurred or the conference hotel rate.</p> <p>28. For any official System travel for training, due diligence trips, meetings with investment managers, or training where hotels are not pre-designated, the traveler should select the most economical lodging taking into consideration the proximity of the selected place to conduct the official System business, traveler's safety, time and transportation costs and other relevant factors. Any of the following methods are acceptable for determining "moderately priced establishments of acceptable quality", "the most economical and practical accommodations", and those which would be presumed not to meet the IRS definition of "lavish and extravagant" accommodations:</p> <ul style="list-style-type: none"> (i) Lodging does not exceed the highest Federal domestic lodging per diem rate; cost comparison is not necessary; or (ii) The most economical hotel identified using the City traveler provider website (www.concursolutions.com/), with availability, with at least a 3 star rating on a 5 star scale travel, and within walking distance or no less than ½ mile radius of the first business location; or

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<p>In the selection of restaurants and hotel rooms, it is expected that individuals will seek moderately priced establishments of acceptable quality. [LAAC §4.242.3.(b)]</p> <p>An employee or elected official must consider transportation costs, time, and other relevant factors in selecting the most economical and practical accommodations. [§4.242.3.(b)(1)]</p>	<p>(iii) The most practical hotel on the above list with acceptable written justification; or</p> <p>(iv) Any lodging expenses may be reimbursed provided that the expense does not exceed 300% of the lodging per diem and traveler must clearly demonstrate no other acceptable alternative lodging was available, as in the event of a state of emergency, or other justifiable reason reviewed and certified by the Department Head¹ as reasonable and proper, and incurred in the pursuit of System business.</p> <p>29. Reimbursement is limited to single occupancy room rate, as documented on hotel letterhead or the hotel’s room rates listing, plus applicable taxes and charges unless additional occupants are LACERS trustees/staff on official LACERS business.</p>
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B. MEALS AND INCIDENTAL EXPENSES (M&IE)

LAAC Requirement	LACERS Policy
<p>Expenses incurred by an employee or elected official for food and beverage served at meals, scheduled receptions, or other functions necessary for the conduct of City business are allowable to a maximum of three meals a day. [§4.242.3.(b)(2)]</p>	<p>30. LACERS intends to be compliant with IRS accountable plan rules, therefore M&IE allowance will be provided only when business travel results in a necessity for lodging. LACERS will provide travelers with a standard meal allowance at the Federal per diem rate per locale. The allowance, in lieu of providing receipts, is acceptable under the IRS accountable plan rules. The IRS (Publication 463) defines meals and incidental expenses include: meals, transportation to acquire meals, fees/tips to porters, baggage carriers, bellhops, hotel maids, wait staff, and other service providers.</p> <p>31. No meal allowance will be paid when meals are provided throughout the day by the host or at the conference.</p> <p>32. Prorating the standard meal allowance – The IRS permits LACERS to adopt its own</p>

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	<p>rules for prorating the standard meal allowance on partial days of travel so long as we consistently apply the method in accordance with reasonable business practice.</p> <p>The meal and incidental expense allowance will be prorated from a daily allowance to a per meal period allowance on partial days of travel; and when some meals are prepaid/to be paid by LACERS (complimentary breakfast provided at the hotel, meals at the conference, or pre-paid to comply with the City/LACERS gift restrictions.</p> <p>The M&IE allowance = incidental expense + breakfast allowance (if traveling between 1AM – 9AM) + lunch allowance (if traveling between 9AM – 5PM) + dinner allowance (if traveling between 5PM – 1AM).</p> <p>Utilize the M&IE per travel locale and provide an allowance for each meal period the traveler is away from home (based on the current Federal General Services Agency six tiered M&IE allowance):</p> <table border="1" data-bbox="857 1144 1417 1373"> <thead> <tr> <th>Total</th> <th>Breakfast</th> <th>Lunch</th> <th>Dinner</th> <th>IE</th> </tr> </thead> <tbody> <tr> <td>\$46</td> <td>\$7</td> <td>\$11</td> <td>\$23</td> <td>\$5</td> </tr> <tr> <td>\$51</td> <td>\$8</td> <td>\$12</td> <td>\$26</td> <td>\$5</td> </tr> <tr> <td>\$56</td> <td>\$9</td> <td>\$13</td> <td>\$29</td> <td>\$5</td> </tr> <tr> <td>\$61</td> <td>\$10</td> <td>\$15</td> <td>\$31</td> <td>\$5</td> </tr> <tr> <td>\$66</td> <td>\$11</td> <td>\$16</td> <td>\$34</td> <td>\$5</td> </tr> <tr> <td>\$71</td> <td>\$12</td> <td>\$18</td> <td>\$36</td> <td>\$5</td> </tr> </tbody> </table>	Total	Breakfast	Lunch	Dinner	IE	\$46	\$7	\$11	\$23	\$5	\$51	\$8	\$12	\$26	\$5	\$56	\$9	\$13	\$29	\$5	\$61	\$10	\$15	\$31	\$5	\$66	\$11	\$16	\$34	\$5	\$71	\$12	\$18	\$36	\$5
Total	Breakfast	Lunch	Dinner	IE																																
\$46	\$7	\$11	\$23	\$5																																
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<p>Gratuities. Such expenses, not exceeding 15%, are allowable where reasonable and customary. [§4.242.3.(h)]</p>	<p>33. Gratuities are included in the IRS definition of “incidental” expenses and are therefore subject to per diem limits. Reimbursement for restaurant gratuities are calculated as up to 15 percent of the restaurant bill exclusive of taxes, except when the gratuity percentage is required and the amount is added on the bill by the service provider.</p>																																			

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IV. OTHER EXPENSES

LAAC Requirement	LACERS Policy
<p>(j) Other Expenses. Expenses not specifically set forth in other subsections of this section that are incurred by an employee or an elected official are allowable where deemed necessary in the conduct of City business; provided that such expenses have been reviewed and certified by the Department Head¹ as reasonable and proper and incurred in pursuit of City business. Wherever the type of expenditure is not specifically listed in this section, the employee or elected official should be prepared to absorb the cost as a personal expenditure in the event that such expense is not certified by the Department Head¹. [§4.242.3.(j)]</p>	<p>34. Other travel expenses are allowable when deemed necessary in the conduct of System business provided such expenses are reviewed and certified by the Department Head¹ as reasonable, proper, and incurred in pursuit of System business. Otherwise, these expenses become personal expenditures.</p> <p>35. Travel Interruptions – When there is an interruption or deviation from planned travel due to bona fide public emergencies outside of the traveler’s control such as weather or shutdown of air travel, travelers may be reimbursed at full cost for emergency lodging, meals, and incidental expenses.</p> <p>36. Indirect Travel - whether for the traveler’s personal leave or for convenience, expenses allowable will not exceed those that would have been incurred for uninterrupted travel utilizing the direct travel route or travel days. Supporting documentation showing the cost for direct travel and the deviation should be provided by the traveler.</p>

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IV. NON-REIMBURSABLE TRAVEL EXPENSES

LAAC Requirement	LACERS Policy
<p>Expenditures which are incurred by an employee or elected official that are of a purely personal nature will not be reimbursed by the City.</p> <ul style="list-style-type: none"> a) Auto repairs, replacement or towage to personal vehicle when such use has been authorized (see established City procedures for repair to City vehicle); b) Flight insurance; c) Personal telephone calls (except those specified in Section 4.242.3 (g) of this article); d) Expenses for persons other than the employee or elected official, except as specified in Section 4.242.3 (b) 2. [§4.242.4] 	<p>37. Expenditures which are not substantive to LACERS business will not be reimbursed by LACERS, such as:</p> <ul style="list-style-type: none"> a) Any expenses related to entertainment and recreational activities; b) Flight upgrade fees for seats other than coach or economy; c) Internet usage fees (unless the internet is used for City business); d) Any expenses related to alcohol and tobacco; e) Traveler’s insurance. <p>38. The traveler must submit reimbursement for personal expenditures paid by LACERS.</p> <p>If there are portions of the conference or seminar that are entertainment in nature and not business-related (e.g., golf tournaments, musical performances or concerts, etc.), the traveler is required to reimburse LACERS for the cost of these recreational activities.</p>

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V. OTHER RULES AND RESTRICTIONS

A. DOCUMENTATION OF EXPENSES - PERSONAL EXPENSE STATEMENTS	
LAAC Requirement	LACERS Policy
<p>All expenses claimed shall be listed on separate forms provided and used for required documentation of travel expense.</p> <p>Completed travel expense forms shall be forwarded to the Controller within thirty (30) days of the conclusion of the trip.</p> <p>The Department Head¹ shall certify that all expenditures were incurred in pursuit of City business. Falsification of such certification shall be grounds for appropriate disciplinary action and such other sanctions provided by law.</p> <p>Receipts shall be provided for transportation costs incurred under Section 4.242.3(a), lodging, and for any single item of expenditure in excess of \$25.00. Receipts for expenditures under \$25.00 should be presented when available. [LAAC § 4.242.7]</p>	<p>39. All expenses claimed for reimbursement must be itemized on the Personal Expense Statement (PES - Form Gen. 16).</p> <p>40. The traveler is responsible for verifying all charges on receipts before making payment. Charges made in error will not be reimbursed.</p> <p>41. Original receipts are required for any single expenditure in excess of \$25. Receipts are not required for a meal and incidental expense allowance, regardless of amount, when the Federal per diem rate per locale is provided to the traveler and prorated in accordance with LACERS' policy.</p>
B. TRAVEL ADVANCES	
LAAC Requirement	LACERS Policy
<p>Requests for an advance for funds shall be submitted to the Controller, where feasible, at least ten (10) days in advance of the beginning of the planned expenditure of funds and such request shall include the persons traveling, period covered, and the destination. In addition, the request should state the purpose of the trip, the nature of the City business to be conducted on the trip, and the proposed total estimated expenditure. Documentation of actual expenses incurred shall be submitted to the Controller in conformance with Section 4.242.7.</p>	<p>42. For trips of one night or more, a travel advance may be requested. The amount advanced is limited to the lodging, meal and incidental expenses per diem. Only 90% of the total travel estimate is advanced. A travel advance will not be issued if this amount is less than \$500 in total.</p> <p>43. Written requests for the travel advance are to be submitted by the Traveler to the CEA/travel coordinator for approval at least fifteen (15) business days prior to the date of travel but no earlier than thirty (30) calendar days prior to travel. The request must include a statement certifying that the traveler has no outstanding cash advance.</p> <p>44. A cash advance request will be denied if</p>

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	<p>a traveler has an outstanding cash advance for past travel with does not comply with the procedures.</p> <p>45. Regular travel advances will be released no earlier than one (1) week before travel.</p> <p>46. Outstanding travel advances not accounted for and delinquent over 120 days will be included as part of an employee's wages on the first payroll period of the subsequent calendar quarter following the end of the 120 calendar days; and, for non-City employees, IRS Form 1099-Misc will be issued per IRS Federal, State, Local Government Taxable Fringe Benefit Guide. Nothing herein eliminates the traveler's obligation to return to the Fund any excess monies that were received that were not used for approved travel expenses.</p> <p>47. Future travel advances will not be processed for traveler(s) with delinquent PES over 30 days. Requests for reimbursement may be processed in advance of the travel for expenditures such as registration fees, and/or one-night hotel deposit. To ensure timely processing of the reimbursement, such requests along with supporting documents and proof of payment (credit card statement, etc.) must be submitted to the CEA/travel coordinator, in writing, at least fifteen (15) working days before the date of travel.</p> <p>48. Advanced payment for cancelled travel: Any amount that was paid by department in advance of travel is considered an advance. In the event of the need to cancel the trip, the traveler is responsible for notifying all payees to as soon as possible to avoid/minimize cancellation fees</p> <p>a. If cancellation was due to personal reasons, the traveler must personally reimburse the department for any amount not recovered (net of cancellation fees). If the refund or credit was issued directly to the traveler,</p>
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	<p>traveler must pay LACERS the entire amount of credit received within 14 calendar days from the credit issued date.</p> <ul style="list-style-type: none">b. If travel was cancelled due to the business or public reason, traveler is responsible to submit a justification along with the proper documentation to the General Manager within 14 calendar days from the cancelled date.c. Unrecovered amounts are reported as taxable income to the traveler. The traveler may be required to pay for future airfare using their own credit card, and LACERS will reimburse airfare upon completion of travel.
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APPENDIX C BOARD TRAVEL REIMBURSEMENT CHECKLIST

Adoption Date: May 26, 2009

Revised Dates: June 22, 2010; December 13, 2011; March 11, 2014; November 10, 2020

I. STEPS FOR TRAVEL APPROVAL AND REIMBURSEMENT:

Step 1: Provide details of the educational event to the Commission Executive Assistant (CEA)

Step 2: Submit information on estimated expenses to the CEA

Fees Paid Directly By LACERS:

Step 3: Register for the Conference

- Conference registration and registration fees can be arranged through the CEA prior to the conference date. Registration fees are paid directly by LACERS with no out-of-pocket expenses for the traveler;
 - Under State and City gift laws, complimentary conferences or conference-related events could be considered gifts. LACERS will evaluate the circumstances with the assistance of the City Ethics Commission and may be required to pay a pro-rata share of conference expenses provided by the hosting organization.
- Or, after the fact, submit a receipt showing a zero balance as proof of payment.

Step 4: Book flight

- Provide desired flight numbers, dates, and times to the CEA. The CEA will book the flight. The City's travel service will also provide a flight credit if the traveler is unable to fly and proper notification is given.
- Or after the fact, submit a receipt for the purchase of the airline ticket and, for cost comparison, the CalTravelStore quote for a one-stop coach/economy class ticket from any airline and for the same days of travel generated on the same day the flight was booked. Reimbursement is limited to the lowest regular fare/economy rate.

Items Requiring Pre-Approval for Expenditure Reimbursement:

Step 5: Submit written justification for items requiring pre-approval from the Board President or Vice President. If approval is not secured prior to incurring the expense, reimbursement may not be granted.

- Requests for reimbursement of airfare which is more than 150% of the lowest cost one-stop airfare – justification should demonstrate the official necessity of the selected flight.
- Requests for transportation other than air flight – justification should indicate reasons for use of the alternate mode of transportation.
- Requests for cash advances to cover lodging and per diem for meals must be submitted 15 business days, but no earlier than 30 calendar days, prior to the commencement of travel. See further instructions below.

After the Travel has been completed, submit report and receipts:

Step 6: Submit an Event Evaluation Report within thirty (30) days of the conclusion of the trip

- The report is required prior to reimbursement

Section 1.0 GUIDANCE FOR BOARD MEMBERS

- Step 7: Submit a Personal Expense Statement (PES) within thirty (30) days of the conclusion of the trip:
- Itemize all reimbursable daily expenses for lodging, transportation, and miscellaneous expenses; list the per diem for meals and incidentals.
 - Report expenses paid directly by LACERS as a deduction to the total reimbursable amount
 - See further instructions on the following checklist

II. REIMBURSEMENT CHECKLIST:

ALLOWABLE TRAVEL COSTS	REQUIRED DOCUMENTS
AIR TRAVEL	
<p><u>Air Travel</u> Air travel expenses are only allowable for the lowest regular fare available. If the flight with the lowest regular fare is not booked, reimbursement will only be for the lowest regular fare.</p> <p>If three fare quotes are not submitted, the lowest regular fare will be determined by a quote from the City’s travel agent for a direct flight, coach class, 14 days prior to the date of business travel. The CEA will determine the reasonable flights to be quoted which best meet the conference dates and times.</p> <p>Exceptions allowing reimbursement for a higher cost fare may be approved by the General Manager for “official necessity.” Official necessity means there is a bona fide benefit to LACERS for taking the selected flight which outweighs the cost of the higher fare.</p>	<p><u>Transportation Expenses</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> Submit a receipt showing a zero balance as proof of payment for airfare <input type="checkbox"/> If purchasing outside of CalTravel Store, provide the airline ticket receipt and CalTravelStore quote demonstrating that the cost of the booked flight is no more than 50% higher than the quote, for the same days of travel, from CalTravelStore. <input type="checkbox"/> Provide written justification of the “official necessity” for any higher cost fare if seeking reimbursement above the lowest fare rate. The General Manager must concur for the expense to be submitted for reimbursement.
OTHER TRANSPORTATION	
<p><u>Bus or Rail Travel</u> The allowable cost shall be the actual cost for the regular fare for the bus/rail travel.</p> <p><u>Automobile Rental</u> Automobile rental expenses are allowable if traveling by automobile is less expensive or more appropriate than by other modes of transportation.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Submit request for pre-approval from the General Manager for all modes of transportation other than regularly scheduled airlines. <input type="checkbox"/> Submit request for pre-approval from the General Manager demonstrating that traveling by rental car is less expensive or more appropriate for the efficient conduct of City business than by taxi or bus.

Section 1.0 GUIDANCE FOR BOARD MEMBERS

<p><u>Private Automobile</u> The allowable cost shall be the actual total mileage rate allowance as determined by the Internal Revenue Service (IRS).</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Submit request for pre-approval from the General Manager, and include a satisfactory liability insurance policy covering the full use and operation of the vehicle. The limits of liability on any such policy shall not be less than \$25,000 in the case of injury to or death of one person, and \$50,000 in the case of injury to or death of more than one person; and in the case of property damage, not less than \$5,000 in any one accident. <input type="checkbox"/> Submit airfare confirmation (provided by CalTravelStore, other travel service, and airline), rail travel confirmation notice or transportation receipt from taxi, shuttle, or private car service.
<p>REGISTRATION FEES</p>	
<p><u>Registration Fees</u> Reimbursable if paid by the Trustee</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Submit a receipt showing a zero balance as proof of payment.
<p>LODGING</p>	
<p>Hotels generally offer specially rated room blocks for conference participants. The Trustee may stay at an “off-site” hotel if the room blocks are exhausted.</p> <p>Transportation costs, time, and other relevant factors must be considered in selecting the most economical and practical accommodations.</p> <p>An extra-night stay is allowable if it sufficiently reduces the airfare, or if the conference commences early in the morning or adjourns late in the evening.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Submit receipt showing a zero balance as proof of payment. Personal credit card information must be redacted from the receipt. <input type="checkbox"/> If lodging is for other than single occupancy, secure a rate sheet or other documentation of the single occupancy rate.
<p>MEALS & INCIDENTAL EXPENSES</p>	
<ul style="list-style-type: none"> ○ The meal and incidental per diem for domestic travel is currently \$71 per day. ○ Incidental expenses are fees and gratuities provided to service workers, and for transportation costs in acquiring meals. 	<p>Receipts for meals and incidental expenses are not required.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Submit justification letter if claiming reimbursement for expenses exceeding the per diem allowance.

Section 1.0 GUIDANCE FOR BOARD MEMBERS

<ul style="list-style-type: none"> ○ The daily allowance is prorated at 75% on days of travel, and if some meals are provided by the hotel or conference. ○ No meal allowance is provided when meals are provided throughout the day by the hosting organization. ○ The rate for international travel is in accordance with current Federal per diem rate guidelines. 	
<p>MISCELLANEOUS EXPENSES</p>	
<p><u>Checked Baggage Fees</u> Such expenses are allowable when the Trustee is charged for the first checked bag.</p> <p><u>Laundry Service</u> Such expenses are allowable if the duration of the trip, traveling conditions, or some other special circumstances dictate.</p> <p><u>City Business Telephone Calls</u> Such expenses are allowable if the telephone calls are relevant to appropriate City business.</p> <p><u>Personal Telephone Calls</u> Such expenses are allowable for one call to the Trustee's immediate family if they are located within the locale of their residence.</p> <p>If travel is in excess of three (3) days, one such call is permitted for each successive three (3) days thereafter.</p> <p>Each call should last a reasonable amount of time, such as 10 minutes per call.</p> <p><u>Ground Transportation</u> Transportation between the traveler's residence and airport, and transportation between the airport and conference location.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Baggage fees for second and additional items require a justification memo that it meets a business purpose. <input type="checkbox"/> Submit receipts for all miscellaneous expenses.



REPORT TO BOARD OF ADMINISTRATION

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

MEETING: NOVEMBER 24, 2020
ITEM: VIII – B

SUBJECT: INVESTMENT MANAGER CONTRACT WITH CENTERSQUARE INVESTMENT MANAGEMENT LLC REGARDING THE MANAGEMENT OF A U.S. REITS PORTFOLIO AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

1. Approve a three-year contract renewal with CenterSquare Investment Management LLC for management of an active U.S. REITS (Real Estate Investment Trust Securities) portfolio.
2. Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

Discussion

On November 10, 2020, the Committee considered the attached staff report (Attachment 1) recommending a three-year contract renewal with CenterSquare Investment Management LLC (CenterSquare). CenterSquare has managed an active U.S. REITS portfolio for LACERS since January 2015; the current contract expires on March 31, 2021. As of October 31, 2020, LACERS' portfolio was valued at approximately \$207 million.

The Committee discussed the firm's organizational structure, ownership structure, investment portfolio, performance, and fees. Pursuant to the Committee's direction, staff is in the process of negotiating a more favorable fee structure. Based on the discussion and responses by staff and NEPC, the Committee concurs with the staff recommendation for a three-year contract renewal with CenterSquare.

Strategic Alignment

A contract renewal with CenterSquare will allow the fund to maintain a diversified exposure to the U.S. REITS markets, and aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Barbara Sandoval, Investment Officer II, Investment Division

NMG/RJ/BF/BS:rm

Attachments: 1. Investment Committee Recommendation Report dated November 10, 2020
 2. Proposed Resolution



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

MEETING: NOVEMBER 10, 2020
ITEM: IV

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER CONTRACT WITH CENTERSQUARE INVESTMENT MANAGEMENT LLC REGARDING THE MANAGEMENT OF A U.S. REITS PORTFOLIO AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a three-year contract renewal with CenterSquare Investment Management LLC for management of an active U.S. REITS (Real Estate Investment Trust Securities) portfolio.

Executive Summary

CenterSquare Investment Management LLC (CenterSquare) has managed an active U.S. REITS portfolio for LACERS since January 2015. LACERS' portfolio was valued at approximately \$213 million as of September 30, 2020. CenterSquare's current contract expires on March 31, 2021. Staff and NEPC, LLC, (NEPC) LACERS General Fund Consultant, recommend a three-year contract renewal with CenterSquare.

Discussion

Background

The Board hired CenterSquare in January 2015 to manage an active U.S. REITS portfolio benchmarked against the FTSE NAREIT All Equity REITS Index. CenterSquare utilizes proprietary research and analytics to identify mispriced investment opportunities in the public REITS market. These securities provide high current income, liquidity, and real estate sector diversification. The portfolio management team is led by Dean Frankel, Global Head of Real Estate Securities. Mr. Frankel has 23 years of real estate experience, all of which have been at CenterSquare. LACERS' portfolio was valued at approximately \$213 million as of September 30, 2020. CenterSquare's current contract expires on March 31, 2021.

Organization

CenterSquare was founded in 1987 and is privately held with the management team owning a 47% equity stake and Lovell Minnick Partners, a private equity firm, owning a 53% equity stake. CenterSquare has 93 employees and is headquartered in Plymouth Meeting, Pennsylvania, with offices in London and Singapore. As of September 30, 2020, CenterSquare managed approximately \$11 billion of total assets, with \$4.9 billion of assets in the U.S. REITS strategy

Due Diligence

CenterSquare's organization, investment philosophy, strategy, and process have not changed over the contract period.

Performance

As of September 30, 2020, CenterSquare outperformed its benchmark over all time periods, except the 3-month period, as presented in the table below. CenterSquare is in compliance with the LACERS Manager Monitoring Policy.

Annualized Performance as of 9/30/20 (Net-of-Fees)					
	3-Month	1-Year	3-Year	5-Year	Since Inception ¹
CenterSquare	0.99	-8.52	5.32	7.57	5.95
FTSE NAREIT All Equity Index	1.19	-12.15	3.54	6.61	5.41
<i>% of Excess Return</i>	<i>-0.20</i>	<i>3.63</i>	<i>1.78</i>	<i>0.96</i>	<i>0.54</i>

¹Inception date 4/15/15

Calendar year performance is presented in the table below as supplemental information.

Calendar Year Performance as of 9/30/20 (Net-of-Fees)						
	1/1/20-9/30/20	2019	2018	2017	2016	4/15/15-12/31/15
CenterSquare	-8.61	29.74	-4.80	9.12	8.35	2.80
FTSE NAREIT All Equity Index	-12.27	28.66	-4.04	8.67	8.63	0.58
<i>% of Excess Return</i>	<i>3.66</i>	<i>1.08</i>	<i>-0.76</i>	<i>0.45</i>	<i>-0.28</i>	<i>2.22</i>

Fees

LACERS pays CenterSquare an effective fee of 43.5 basis points (0.435%), which is approximately \$926,550 annually based on the value of LACERS' assets as of September 30, 2020. The fee ranks in the 9th percentile of fees charged by similar REITS managers in the eVestment database (i.e., 91% of like-managers have higher fees).

General Fund Consultant Opinion

NEPC concurs with this recommendation.

Strategic Alignment

A contract renewal with CenterSquare will allow the fund to maintain a diversified exposure to the U.S. REITS markets, and aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Barbara Sandoval, Investment Officer II, Investment Division

NMG/RJ/BF/BS:rm

Attachment: 1. Consultant Recommendation – NEPC



To: Los Angeles City Employees' Retirement System Investment Committee
From: NEPC, LLC
Date: November 10, 2020
Subject: CenterSquare Investment Management, LLC

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System ('LACERS') renew the investment management contract in place with CenterSquare Investment Management Inc. ('CenterSquare') for a period of 3 years from the date of contract expiry.

Background

CenterSquare has been an active U.S. Real Estate Securities (or REITS) manager for LACERS since April 2015. As of September 30, 2020, CenterSquare managed \$213.5 million, or 1.1%, of Plan assets. The performance objective is to outperform the FTSE NAREIT All Equity REITS Index, net of fees, annualized over a full market cycle (normally three-to-five years).

CenterSquare was founded in 1987 to provide private real estate investment management services to institutional investors and has been managing U.S. listed real estate securities portfolios since 1995. Since January 2, 2018, CenterSquare has been owned by its employees and private equity firm Lovell Minnick after a buyout from owner BNY Mellon, who bought the firm in 2006. Employees at CenterSquare own 47% of the firm while Lovell Minnick owns the remaining 53%. The firm manages approximately \$10.96 billion on behalf of over 186 clients with 93 employees located in Pennsylvania, London and Singapore. The U.S. Real Estate Securities (REITs) product has approximately \$4.86 billion in total AUM along with 74 investors invested across separate accounts, commingled funds and mutual funds.

The philosophy of the U.S. Real Estate Securities portfolio is based on three principles: first, that attractive relative valuations provide both downside protection and potential for upside growth; second, that REITs are 'hybrid' investments that should be valued on a number of factors, only one of which is a company's underlying real estate value; and third, that REITs are capable of trading at implied real estate valuations which are materially different from the private real estate market. The result is a portfolio that allows CenterSquare to compare valuations across the REIT universe on a like-for-like basis over time, and identify over- and underpriced stocks across sectors, regions, and the investment universe as a whole.

Performance

Referring to Exhibit 1, as of September 30, 2020, since inception the portfolio has outperformed the FTSE NAREIT All Equity REITs Index by 1.27%, returning 6.61%, net of fees and the strategy ranked in the 21st percentile in its peer universe since May 2015. In the past year ended September 30, 2020 the portfolio outperformed the benchmark by 3.63% (-8.52% vs. -12.15%) and ranked in the 30th percentile in its peer group. The



information ratio, since inception, was 0.78 and active risk, as measured by tracking error was 1.63%.

Referring to Exhibit 2, the portfolio has added value on a cumulative basis against its benchmark since inception. In the short-run the portfolio has not benefitted from the security concentration investment guidelines during the extraordinary sectoral shifts taking place in the REIT universe in the wake of the COVID-19 epidemic. In the longer-run, the portfolio has benefitted from strong security selection and sector allocation with key underweights to Regional Malls and Office.

Fees

The portfolio has an asset-based fee of 0.44% (43.5 basis points) annually. This fee ranks in the 10th percentile among its peers in the eVestment US REIT Universe. In other words, 90% of the 53 products included in the peer universe have a higher fee than the LACERS account.

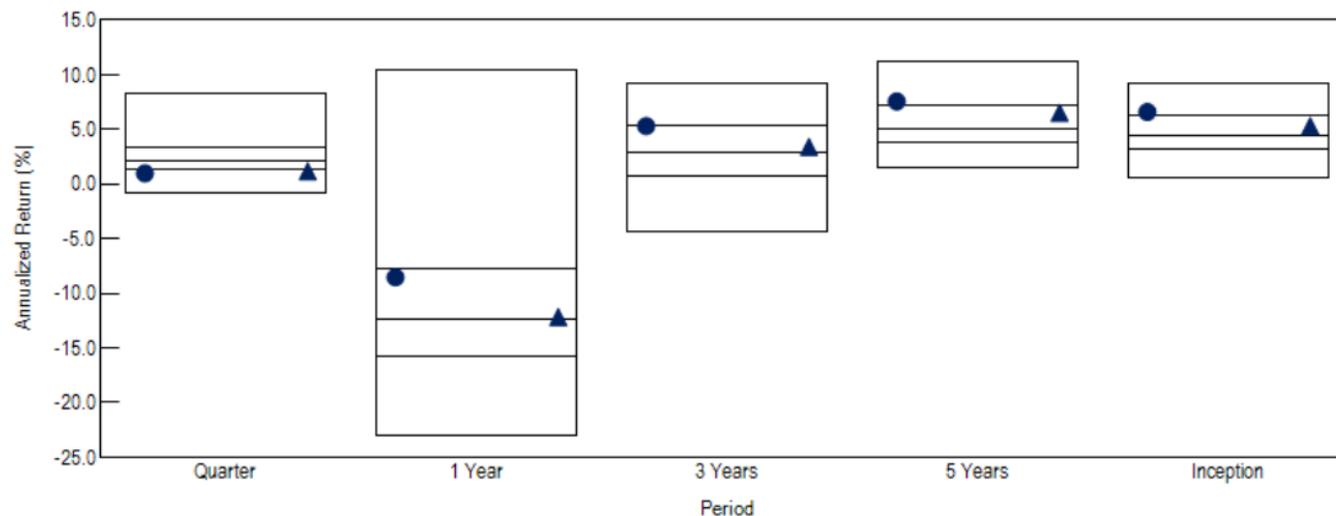
Conclusion

CenterSquare has outperformed the index over trailing time periods one year and greater. Their risk-aware investment philosophy, strong investment process and stock selection skill are the basis for NEPC's high conviction in the U.S. Real Estate Securities platform. NEPC recommends a three-year contract renewal from time of contract expiry.

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

Exhibit 1

**eV US REIT Net Return Comparison
Ending September 30, 2020**



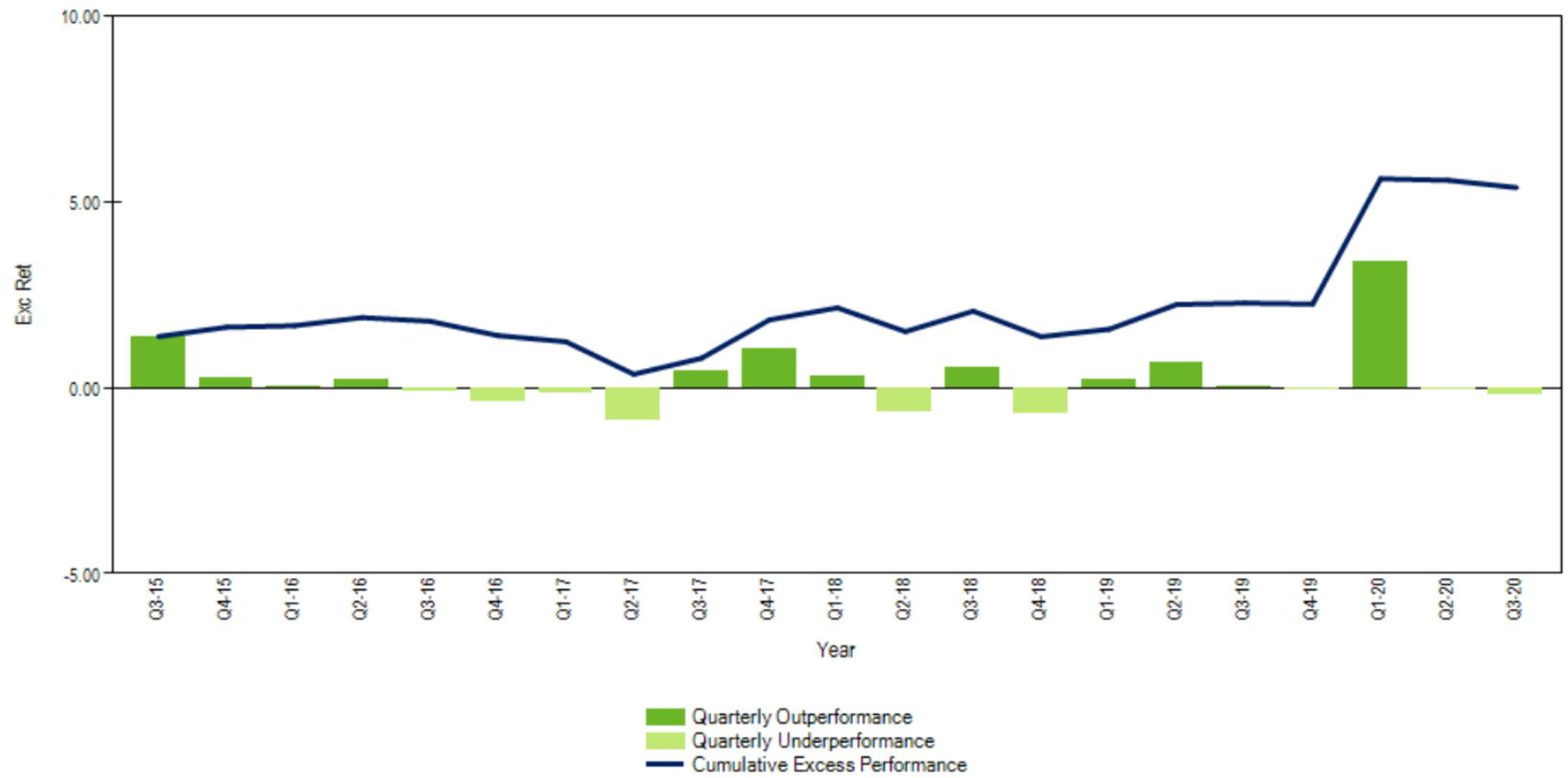
	Return (Rank)									
	Quarter		1 Year		3 Years		5 Years		Inception	
5th Percentile	8.34		10.43		9.22		11.17		9.24	
25th Percentile	3.37		-7.67		5.31		7.20		6.33	
Median	2.19		-12.34		2.83		5.01		4.39	
75th Percentile	1.30		-15.75		0.67		3.84		3.24	
95th Percentile	-0.78		-23.01		-4.38		1.50		0.58	
# of Portfolios	35		35		33		32		32	
● CenterSquare US Real Estate	0.99	(80)	-8.52	(30)	5.32	(25)	7.57	(20)	6.61	(21)
▲ FTSE NAREIT All Equity REIT	1.19	(78)	-12.15	(47)	3.42	(40)	6.53	(39)	5.34	(41)

eA = eVestment Alliance
Note: Inception date is May 1, 2015



Exhibit 2

Quarterly and Cumulative Excess Performance



CONTRACT RENEWAL
CENTERSQUARE INVESTMENT MANAGEMENT LLC
ACTIVE U.S. REITS PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current three-year contract with CenterSquare Investment Management LLC for management of an active U.S. REITS (Real Estate Investment Trust Securities) portfolio expires on March 31, 2021; and,

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

WHEREAS, a contract renewal with CenterSquare will allow the fund to maintain a diversified exposure to the U.S. REITS markets; and,

WHEREAS, on November 24, 2020, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with CenterSquare.

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

<u>Company Name:</u>	CenterSquare Investment Management LLC
<u>Service Provided:</u>	Active U.S. REITS Portfolio Management
<u>Effective Dates:</u>	April 1, 2021 through March 31, 2024
<u>Duration:</u>	Three years
<u>Benchmark:</u>	FTSE NAREIT All Equity REITS Index
<u>Allocation as of October 31, 2020:</u>	\$207 million

November 24, 2020



REPORT TO BOARD OF ADMINISTRATION

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

MEETING: NOVEMBER 24, 2020
ITEM: VIII – C

SUBJECT: INVESTMENT MANAGER CONTRACT WITH RHUMLINE ADVISERS LIMITED PARTNERSHIP REGARDING THE MANAGEMENT OF MULTIPLE U.S. INDEX PORTFOLIO MANDATES AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

1. Approve a five-year contract renewal with RhumbLine Advisers Limited Partnership for passive management of multiple U.S. equity index portfolios.
2. Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

Discussion

On November 10, 2020, the Committee considered the attached staff report (Attachment 1) for a five-year contract renewal with RhumbLine Advisers Limited Partnership (RhumbLine). RhumbLine has provided multiple passive U.S. equity index portfolio management to LACERS since April 2012. As of October 31, 2020, the firm manages approximately \$3.7 billion across large and small capitalization equity strategies for LACERS. RhumbLine’s current contract expires on March 31, 2021. The Committee discussed the firm’s organizational structure, management, performance, and fees. Based on the discussion and responses by staff and NEPC, the Committee concurs with the staff recommendation for a five-year contract renewal with RhumbLine.

Strategic Alignment

A contract renewal with RhumbLine will allow the fund to access multiple passive U.S. equity index strategies, and aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment

returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Barbara Sandoval, Investment Officer II, Investment Division

NMG/RJ/BF/BS/RM:jp

Attachments: 1. Investment Committee Recommendation Report dated November 10, 2020
 2. Proposed Resolution



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

MEETING: NOVEMBER 10, 2020
ITEM: V

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER CONTRACT WITH RHUMLINE ADVISERS LIMITED PARTNERSHIP REGARDING THE MANAGEMENT OF MULTIPLE U.S. INDEX PORTFOLIO MANDATES AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a five-year contract renewal with RhumbLine Advisers Limited Partnership for passive management of multiple U.S. equity index portfolios.

Executive Summary

RhumbLine Advisers Limited Partnership (RhumbLine) manages passive U.S. equity strategies for LACERS based on the S&P and Russell indices across the large and small company capitalization ranges. As of September 30, 2020, RhumbLine managed a total of approximately \$4 billion across two strategies for LACERS. RhumbLine's current contract expires on March 31, 2021. Staff and NEPC, LLC, (NEPC) LACERS General Fund Consultant, recommend a five-year contract renewal with RhumbLine.

Discussion

Background

The Board first hired RhumbLine in February 1993 to passively manage a U.S. large cap equity portfolio that tracks the S&P 500 Index. In April 2012, the Board authorized a search for investment managers to provide multiple passive investment strategies under a single contract, which would allow LACERS to gain exposure quickly to a variety of passive strategies in cases such as asset allocation changes, portfolio rebalancings, or manager terminations. RhumbLine was awarded a contract along with BlackRock Institutional Trust Company, N.A., and State Street Global Advisors.

In 2016, a five-year contract renewal was awarded by the Board. The five-year period in lieu of the traditional three-year contract renewal was awarded due to the low risk associated with passive investment strategies and to ease the administrative duty of the Board and staff by staggering the expiration of investment contracts. RhumbLine's current contract expires on March 31, 2021.

Under the multiple passive strategies contract, RhumbLine provides U.S. equity strategies based on the S&P and Russell indices across the large and small capitalization company ranges. RhumbLine’s investment objective is to fully replicate the risk and return characteristics of the benchmarks using quantitative techniques. The specific strategies available under this contract and the amount of assets managed as of September 30, 2020 are presented in the following table:

Strategy	LACERS’ AUM (in millions)	RhumbLine’s AUM (in millions)
RhumbLine S&P 500 Index	\$ 3,901.4	\$ 23,300.0
RhumbLine Russell 1000 Growth Index	\$ 0.0	\$ 3,126.0
RhumbLine Russell 1000 Value Index	\$ 0.0	\$ 1,920.0
RhumbLine Russell 2000 Index	\$ 183.5	\$ 1,800.0
RhumbLine Russell 2000 Growth Index ¹	\$ 0.1	\$ 59.0
RhumbLine Russell 2000 Value Index ¹	\$ 0.3	\$ 231.6
Total Managed	\$ 4,085.3	\$ 30,436.6

¹ During September 2020, assets were fully withdrawn and transferred to active U.S. small cap strategies.

Organization

RhumbLine has 21 full-time employees (and 3 part-time employees) and is headquartered in Boston. The firm is 100% employee owned. As of September 30, 2020, RhumbLine managed \$73.1 billion of total assets across passive equity and fixed income strategies. Julie Lind serves as the portfolio manager of the various passive strategies under contract by LACERS; she is a limited partner of RhumbLine and has over 20 years of experience at the firm and 24 years of experience in the investment industry.

Due Diligence

RhumbLine’s, investment philosophy, strategy, and process have not changed over the contract period. In December 2019, Denise D’Entremont, a 26 year veteran of RhumbLine, was promoted to President of RhumbLine. She is one of three general partners of the firm and reports directly to the firm’s Chief Executive Officer, Wayne Owen. Ms. D’Entremont oversees distribution and client relationship management, and plays a significant role in developing and executing RhumbLine’s vision and strategic initiatives.

Performance

As of September 30, 2020, RhumbLine’s performance is in line with expectations, as presented in the following table. Differences in RhumbLine’s performance relative to the benchmarks are primarily attributed to cash flows initiated by LACERS staff for operational liquidity or portfolio rebalancings. RhumbLine is in compliance with the LACERS Manager Monitoring Policy.

Annualized Performance as of 9/30/20 (Net-of-Fees)						
	3-Month	1-Year	3-Year	5-Year	10-Year	Since Inception ²
RhumbLine S&P 500	8.86	14.77	12.11	14.00	13.67	9.92
S&P 500 Index	8.93	15.15	12.28	14.15	13.74	9.78
<i>% of excess return</i>	<i>-0.07</i>	<i>-0.38</i>	<i>-0.17</i>	<i>0.15</i>	<i>-0.07</i>	<i>0.14</i>
RhumbLine Russell 2000	5.08	0.48	1.83	8.01	--	5.47
Russell 2000 Index	4.93	0.39	1.77	8.00	--	5.53
<i>% of excess return</i>	<i>0.15</i>	<i>0.09</i>	<i>0.06</i>	<i>0.01</i>	<i>--</i>	<i>-0.06</i>

²RhumbLine S&P 500 inception date: 2/28/1993. Since inception performance for the S&P 500 strategy is presented gross of fees as LACERS did not maintain net of fee performance records prior to July 2001.

RhumbLine Russell 2000 inception date: 3/10/2015

Calendar year performance is presented in the table below as supplemental information.

Calendar Year Performance (Net-of-Fees)											
	1/1/2020 to 9/30/20	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
RhumbLine S&P500	5.32	31.13	-4.33	21.75	11.82	1.38	13.65	32.34	15.96	2.28	15.56
S&P 500 Index	5.57	31.49	-4.38	21.83	11.96	1.38	13.69	32.39	16.00	2.11	15.06
<i>% of excess return</i>	<i>-0.25</i>	<i>-0.36</i>	<i>0.05</i>	<i>-0.08</i>	<i>-0.14</i>	<i>0.00</i>	<i>-0.04</i>	<i>-0.05</i>	<i>-0.04</i>	<i>0.17</i>	<i>0.50</i>
RhumbLine Russell 2000	-8.58	25.48	-10.90	14.64	21.14						
Russell 2000 Index	-8.69	25.52	-11.01	14.65	21.31						
<i>% of excess return</i>	<i>0.10</i>	<i>-0.04</i>	<i>0.11</i>	<i>-0.01</i>	<i>-0.17</i>						

Fees

LACERS pays RhumbLine an effective fee of 0.55 basis points (0.0055%), which is approximately \$224,692 annually based on the total value of LACERS' assets as of September 30, 2020. The fee ranks in the 1st percentile of fees charged by similar passive U.S. equity managers in the eVestment database (i.e., 99% of like-managers have higher fees).

General Fund Consultant Opinion

NEPC concurs with this recommendation.

Strategic Alignment

A contract renewal with RhumbLine will allow the fund to access multi-passive U.S. equity strategies, and aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Barbara Sandoval, Investment Officer II, Investment Division

NMG/RJ/BF/BS/RM:jp

Attachment: 1. Consultant Recommendation – NEPC



To: Los Angeles City Employees' Retirement System Investment Committee
From: NEPC, LLC
Date: November 10, 2020
Subject: RhumbLine Advisers Limited Partnership

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System ('LACERS') renew the contract that is currently in place with RhumbLine Advisers Limited Partnership ('RhumbLine') for a period of five years from the date of contract expiry.

Background

LACERS currently contracts with three index fund providers including RhumbLine, BlackRock and State Street. It has been LACERS' practice to use index funds on both a strategic basis and on a temporary basis when changing from one active manager to another. Currently, RhumbLine manages two passive index portfolios on behalf of LACERS across large and small capitalization U.S. equities totaling \$4.08 billion, or 21.24%, of Total Plan Assets as of September 30, 2020. LACERS market values by U.S. equity index and allocation as a percent of Total Plan are outlined in the chart below as of September 30, 2020:

Portfolio	Market Value(\$)	% of Total Fund	Inception Date
RhumbLine Advisers Russell 2000	183,520,570	0.95	15-Apr
RhumbLine Advisers S&P 500	3,901,428,125	20.29	Feb-93

RhumbLine manages the LACERS accounts with an index replication portfolio management strategy. The FTSE Russell and S&P Dow Jones Indices are among the widest used and cited indexes in the industry.

RhumbLine Advisers is an index fund management specialist and focuses solely on index portfolio development, management and customization. RhumbLine is 100% owned by current and active employees and has no holding companies or affiliates. Their mission is to offer clients consistent index tracking and competitive fees through separately managed accounts. As of September 30, 2020, RhumbLine manages \$73.1B across 54 index-based products for 273 clients in 38 states.

Performance

The performance of the RhumbLine accounts has been in line with expectations. Referring to Exhibit 1, the excess returns observed in the accounts is due to cash flow timing and the performance calculation methodology used.



Fees

RhumbLine charges a fee based on the total AUM across all strategies and that fee totals 0.0055% or 0.55 basis points. This fee ranks in the 1st percentile across the eVestment US Large Cap S&P 500 Passive and eVestment US Small Cap Passive universes.

Conclusion

RhumbLine has proven skill in managing passive investment mandates fully replicated against their respective benchmarks. NEPC supports renewing the contract with RhumbLine for a period of five years from the date of contract expiry.

Exhibit 1: Performance, Net of Fees, as of September 30, 2020

Portfolio	Market Value(\$)	3 Mo(%)	YTD(%)	1 Yr(%)	3 Yrs(%)	5 Yrs(%)	10 Yrs(%)	Inception(%)	Inception Date
RhumbLine Advisers Russell 2000	183,520,570	5.07	-8.58	0.47	1.83	8.01	--	4.83	15-Apr
<i>Russell 2000</i>		<i>4.93</i>	<i>-8.69</i>	<i>0.39</i>	<i>1.77</i>	<i>8</i>	<i>9.85</i>	<i>4.88</i>	<i>15-Apr</i>
RhumbLine Advisers S&P 500	3,901,428,125	8.87	5.34	14.79	12.12	14	13.68	--	Feb-93
<i>S&P 500</i>		<i>8.93</i>	<i>5.57</i>	<i>15.15</i>	<i>12.28</i>	<i>14.15</i>	<i>13.74</i>	<i>9.78</i>	<i>Feb-93</i>

CONTRACT RENEWAL
RHUMBLINE ADVISERS LIMITED PARTNERSHIP
MULTIPLE PASSIVE U.S. EQUITY INDEX PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current five-year contract with RhumbLine Advisers Limited Partnership (RhumbLine) for passive management of multiple U.S. equity index portfolios expires on March 31, 2021; and,

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

WHEREAS, a contract renewal with RhumbLine will allow the fund to access various passive U.S. equity index strategies on an as needed basis; and,

WHEREAS, on November 24, 2020, the Board approved the Investment Committee's recommendation to approve a five-year contract renewal with RhumbLine.

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

<u>Company Name:</u>	RhumbLine Advisers Limited Partnership
<u>Service Provided:</u>	Multiple Passive U.S. Equity Index Portfolio Management
<u>Effective Dates:</u>	April 1, 2021 through March 31, 2026
<u>Duration:</u>	Five years
<u>Indices:</u>	S&P 500 Index Russell 1000 Growth Index Russell 1000 Value Index Russell 2000 Index Russell 2000 Growth Index Russell 2000 Value Index
<u>Total Allocation as of October 31, 2020:</u>	\$3,679 million

November 24, 2020



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

MEETING: NOVEMBER 24, 2020

ITEM: VIII – D

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER CONTRACT WITH BERNZOTT CAPITAL ADVISORS REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP VALUE EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board approve:

1. Termination of the contract with Bernzott Capital Advisors for management of an active non-U.S. small cap value equities portfolio.
2. Redeployment of the assets into a passive small cap value equities strategy managed by RhumbLine Advisers Limited Partnership with staff discretion to transfer in-kind securities to other LACERS active U.S. small cap equities portfolios under conditions described in this Board report.

Executive Summary

On November 10, 2020, three key members of Bernzott Capital Advisors (Bernzott) investment team abruptly resigned from the firm. These three individuals were integral to the investment process and the performance record of the small cap value equities strategy was largely attributed to them. As a result of this material organizational change, staff and NEPC, LLC (NEPC), LACERS General Fund Consultant, recommend termination of the contract.

Discussion

Background

In January 2020, the Board hired Bernzott through the 2019-2020 U.S. Small Cap Equities Mandate investment manager search for active management of a small cap value equities portfolio. The contract became effective as of August 1, 2020 and Bernzott was funded with approximately \$142 million in assets on October 1, 2020. As of November 13, 2020, LACERS account was valued at approximately \$160 million. Bernzott seeks to build a concentrated portfolio of reasonably priced, market leading companies with shareholder-friendly management teams, consistent operating performance, significant

recurring revenue, solid operating margins, and strong returns on capital. The manager believes that such companies typically perform well regardless of economic and industry conditions. At the time of hire, the investment team was comprised of four professionals: Kevin Bernzott, Founder and Chairman; Thomas Derse, President and Portfolio Manager; Scott Larson, Chief Investment Officer and Portfolio Manager, and Ryan Ross, Portfolio Manager.

Material Organizational Change with Investment Team

On November 10, 2020, NEPC notified staff that Messrs. Derse, Larson, and Ross had abruptly resigned from Bernzott to join McMorgan & Company; Mr. Bernzott confirmed these unplanned departures in subsequent meetings with staff and NEPC. Mr. Bernzott informed staff and NEPC that he and Sean Greely, a new senior investment professional hired in October 2020, will manage the portfolio going forward. Another senior investment professional has also been hired and will join the firm in mid-December 2020.

Due to these organizational changes, staff has placed Bernzott on “On Watch” status as of November 12, 2020 for an initial one-year monitoring period pursuant to the LACERS Manager Monitoring Policy. However, staff and NEPC believe this situation requires more immediate corrective action and warrants a contract termination. Based on due diligence conducted by staff and NEPC during the manager search process, it was understood that Messrs. Derse, Larson, and Ross had primary investment responsibility of the small cap value equities strategy and were the key drivers of its successful track record. Staff and NEPC’s recommendation to hire this manager was based on the presumption that these individuals would continue to play a primary role in the management of the strategy going forward. Their sudden departure and the rebuilding of the investment team with new professionals that have limited experience with the strategy presents undue risk to LACERS. Therefore, staff and NEPC recommend termination of the contract with Bernzott.

Should the Board approve this recommendation, staff would initiate the 30-day written notice of termination clause and redeploy Bernzott’s assets to a passive small cap value equities strategy managed by RhumbLine Advisers Limited Partnership as soon as practicable with staff discretion to transfer in-kind securities to other LACERS active U.S. small cap investment managers who may wish to hold (or increase exposure to) such security names in their respective LACERS separately managed U.S. small cap equities portfolios in order to reduce transaction costs. Staff anticipates conducting a search for a replacement active investment manager upon completion of the forthcoming asset-liability and risk budgeting studies planned for calendar year 2021 and subject to Board approval. NEPC concurs with these recommendations.

Strategic Alignment

A contract termination with Bernzott Capital Advisors and reallocation of the assets into a passive small cap value equities portfolio managed by RhumbLine Limited Partnership will allow the fund to maintain a diversified exposure to the U.S. small cap value equities market, which aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager’s profile, strategy, performance, and organization aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Barbara Sandoval, Investment Officer II, Investment Division

NMG/RJ/BF/BS:jp

Attachments: 1. NEPC Memo dated November 13, 2020
 2. Proposed Resolution



To: Los Angeles City Employees' Retirement System Board of Administration
From: NEPC, LLC
Date: November 13, 2020
Subject: Bernzott Capital Advisors

Recommendation

On November 10th, 2020, NEPC was notified that three key members of Bernzott Capital Advisors left the firm. Departing members included Thomas Derse, President & Portfolio Manager, Scott Larson, CIO & Portfolio Manager, and Ryan Ross, Portfolio Manager. Kevin Bernzott, founder and chairman, and Sean Greely, a new senior investment team member, remain on the investment team and will manage the investment strategies going forward. Additionally, today the firm announced the addition of a Portfolio Manager/Analyst who will join the firm on December 16, 2020.

After multiple discussions with Kevin Bernzott, we are recommending Los Angeles City Employees' Retirement System ('LACERS') terminate the contract that is currently in place due to the departure of these three investment team members and redeploy assets from the Bernzott portfolio to the passively managed small cap value (Russell 2000 Value Index) strategy managed by RhumbLine. NEPC recommends that the actively managed small cap allocation be revisited after the asset-liability and risk budgeting studies being conducting in the first half of 2021.

Background

Key members of Bernzott Capital Management investment team (Thomas Derse, Scott Larson, and Ryan Ross) departed the firm to join another investment firm on November 10th, 2020. These departures were abrupt and were not a transition plan set up by Bernzott Capital Advisors. The three members departing the firm have equity in the firm and legally still maintain their rights to any distributions entitled to said equity stakes. The three members of the investment team were integral to the investment process, being involved in all aspects including idea generation, due diligence, and portfolio construction. The departure of the three investment team members also opens the firm to a risk of asset outflows and ultimately firm viability risk if potential outflows are realized.

During the RFP and due diligence process that LACERS undertook to hire Bernzott, these three individuals were presented as the investment team responsible for the product's performance track record. The following table summarizing the key investment professionals was included in Bernzott's proposal to LACERS. The table identifies Kevin Bernzott as an investment team member with approximately 20% of his time spent working on the product.



Detailed Summary of Key Professionals

[Please provide a summary of key Firm and Fund professionals. For Fund related professionals, please include down to the senior analyst or vice president level (whichever is more inclusive). For Function, please indicate sector and/or geographic specialty and trading/execution discretion if applicable. Please add additional rows as necessary.]

Name	Title	Function	Years at Firm	Years in Industry	Education and Certifications	% of Time Dedicated to the Product
Kevin Bernzott	Founder/Chairman	Owner	25	25	JD	20%
Tom Derse	President	PM/Analyst	15	19	BA,MS,CFA	60%
Scott Larson	CIO	PM/Analyst	12	23	BA,BS,CFA	90%
Ryan Ross	VP	PM/Analyst	5	14	BS,MBA,CFA	90%

With the departure of the three key investment team individuals, we believe that the Small Cap Value strategy will change going forward. The two new additions to the team have not worked together in the past and it will take some time for them to come up to speed on the portfolio and replication of the investment process. This is not the same team that LACERS hired and therefore, we are recommending that LACERS terminate its relationship with Bernzott Capital Advisors.

CONTRACT TERMINATION
BERNZOTT CAPITAL ADVISORS
U.S. SMALL CAP VALUE EQUITIES
PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current three-year contract with Bernzott Capital Advisors (Bernzott) for active U.S. small cap value equities portfolio management expires on July 31, 2023; and,

WHEREAS, Bernzott was placed "On-Watch" on November 12, 2020, due to loss of several key investment personnel as of November 10, 2020, in accordance with the LACERS Manager Monitoring Policy (Policy); and,

WHEREAS, staff and NEPC, LLC (NEPC), LACERS General Fund Consultant, have conducted appropriate due diligence and have deemed that these organizational changes present undue risk to LACERS; and,

WHEREAS, staff and NEPC recommend a contract termination in accordance with the Policy; and,

WHEREAS, on November 24, 2020, the Board approved staff's recommendation to terminate the contract with Bernzott and redeploy Bernzott's assets to a passive small cap value equities strategy managed by RhumbLine Advisers Limited Partnership.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the termination of the Bernzott contract and authorizes LACERS staff to redeploy Bernzott's assets to a passive small cap value equities strategy managed by RhumbLine Advisers Limited Partnership and to authorize staff to transfer in-kind securities to other LACERS active U.S. small cap equities portfolios for those managers who may wish to hold or increase such security exposures in order to reduce transaction costs to LACERS.

November 24, 2020



REPORT TO BOARD OF ADMINISTRATION

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

MEETING: NOVEMBER 24, 2020
ITEM: VIII – E

SUBJECT: PRIVATE EQUITY PROGRAM 2021 STRATEGIC PLAN AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board adopt the Private Equity Program 2021 Strategic Plan.

Discussion

On November 10, 2020, the Committee considered the attached report regarding the Private Equity Program 2021 Strategic Plan. The Committee heard a presentation from David Fann and Jeffrey Goldberger of Aksia TorreyCove Partners LLC (Aksia TorreyCove), LACERS' Private Equity Consultant. The plan, developed by Aksia TorreyCove with input from staff, establishes strategic objectives and investment plan recommendations for the next calendar year. Aksia TorreyCove will be present at the Board meeting of November 24, 2020, should the Board desire to hear a presentation of the proposed plan.

Strategic Alignment

The annual private equity strategic 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) and promoting good governance practices (Goal V).

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

NMG/RJ/BF/WL:rm

Attachment: 1. Investment Committee Report dated November 10, 2020



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

MEETING: NOVEMBER 10, 2020
ITEM: VI

Neil M. Guglielmo

SUBJECT: PRIVATE EQUITY PROGRAM 2021 STRATEGIC PLAN AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board the adoption of the Private Equity Program 2021 Strategic Plan.

Executive Summary

The Private Equity Program 2021 Strategic Plan provides the private equity strategic objectives and investment plan recommendations for calendar year 2021.

Discussion

Aksia TorreyCove Partners LLC (Aksia TorreyCove), LACERS' Private Equity Consultant, with input from staff, has developed the proposed Private Equity Program 2021 Strategic Plan, which considers strategic objectives and investment plan recommendations for calendar year 2021. Staff has reviewed the plan and recommends its adoption. Aksia TorreyCove will present the proposed plan.

Strategic Alignment

The annual private equity strategic 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) and promoting good governance practices (Goal V).

Prepared by: Wilkin Ly, Investment Officer III, Investment Division.

NMG/RJ/BF/WL:jp

BOARD Meeting: 11/24/20
Item VIII-E
Attachment 1

Attachment: 1. LACERS Private Equity Program 2021 Strategic Plan – Aksia TorreyCove Capital Partners
LLC

Aksia LLC

LACERS Private Equity Program 2021 Strategic Plan

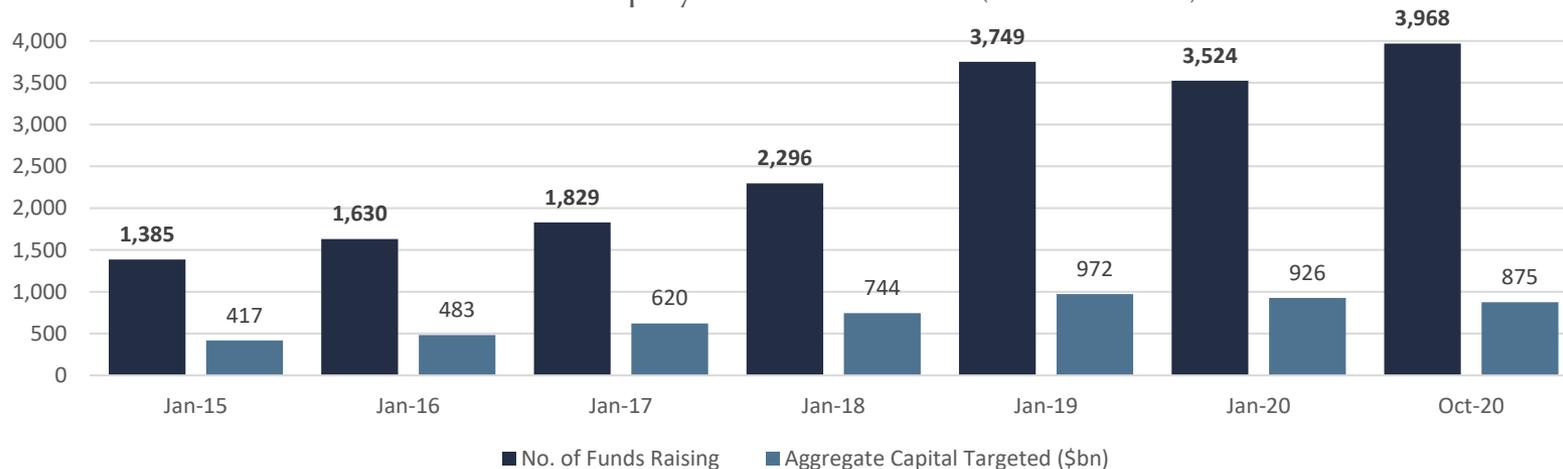


www.aksia.com

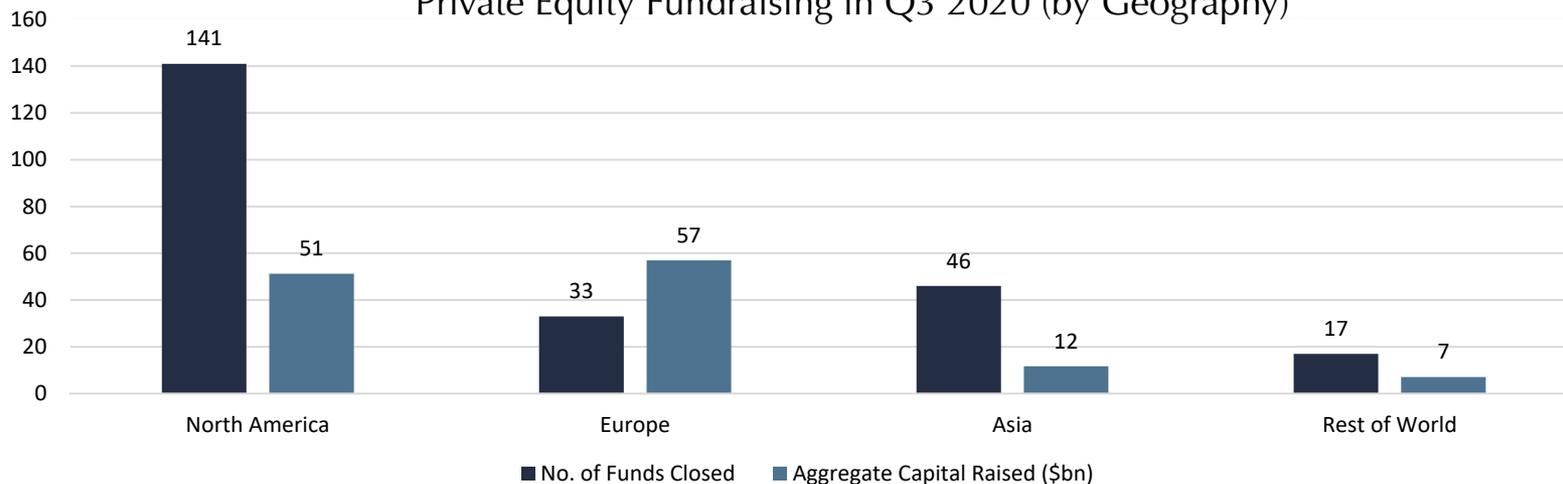
- Private Equity Market Overview
- 2020 Strategic Plan Refresher
- 2021 Pacing Analysis
- LACERS Portfolio Exposures
- 2021 Strategic Plan Recommendations

Private Equity Fundraising Update

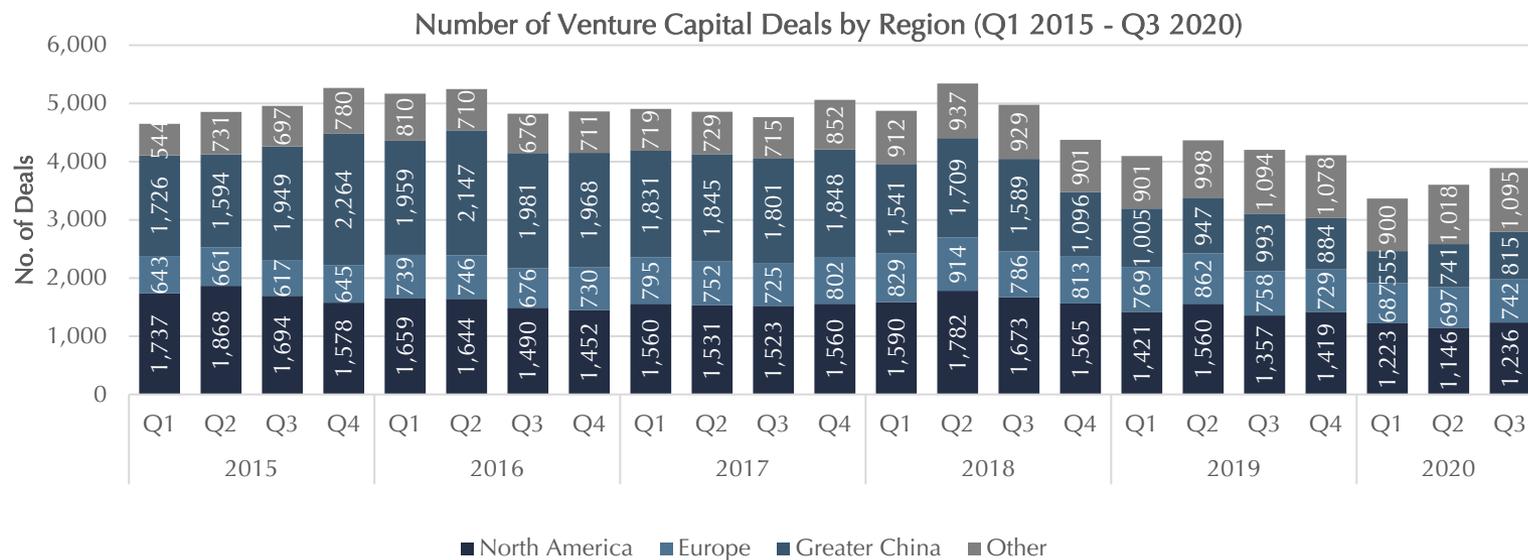
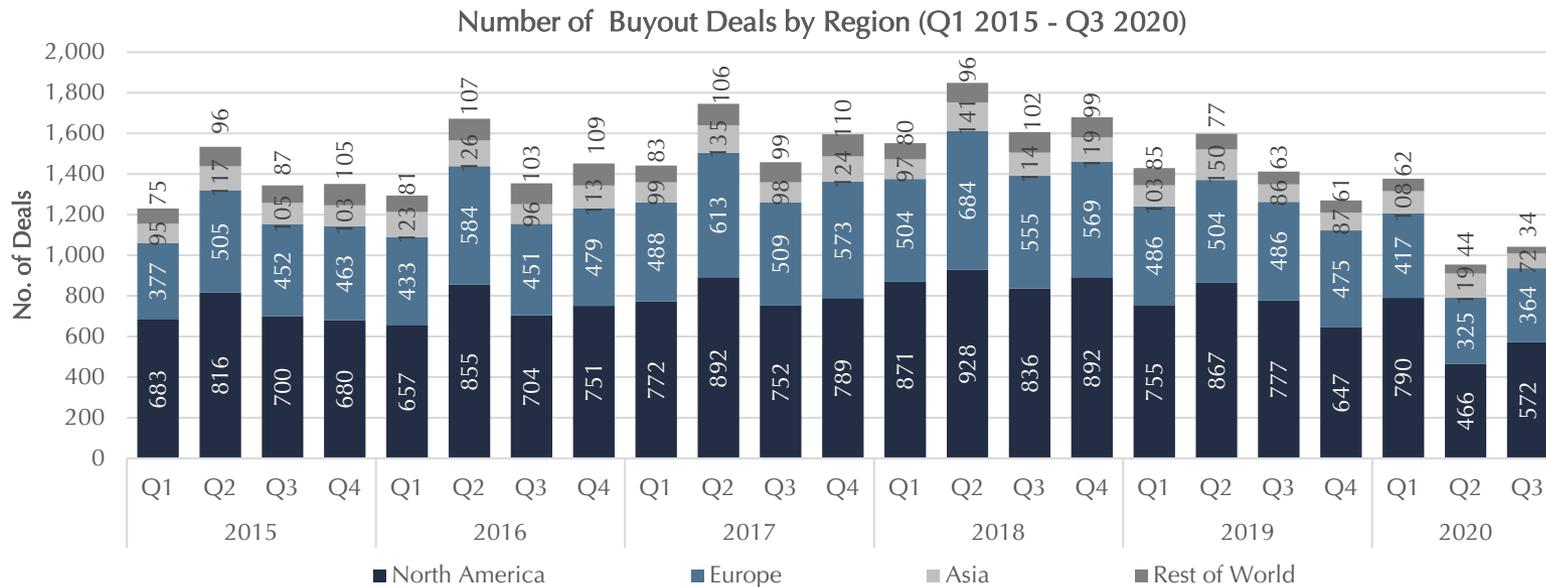
Private Equity Funds in Market (2015 - 2020)



Private Equity Fundraising in Q3 2020 (by Geography)



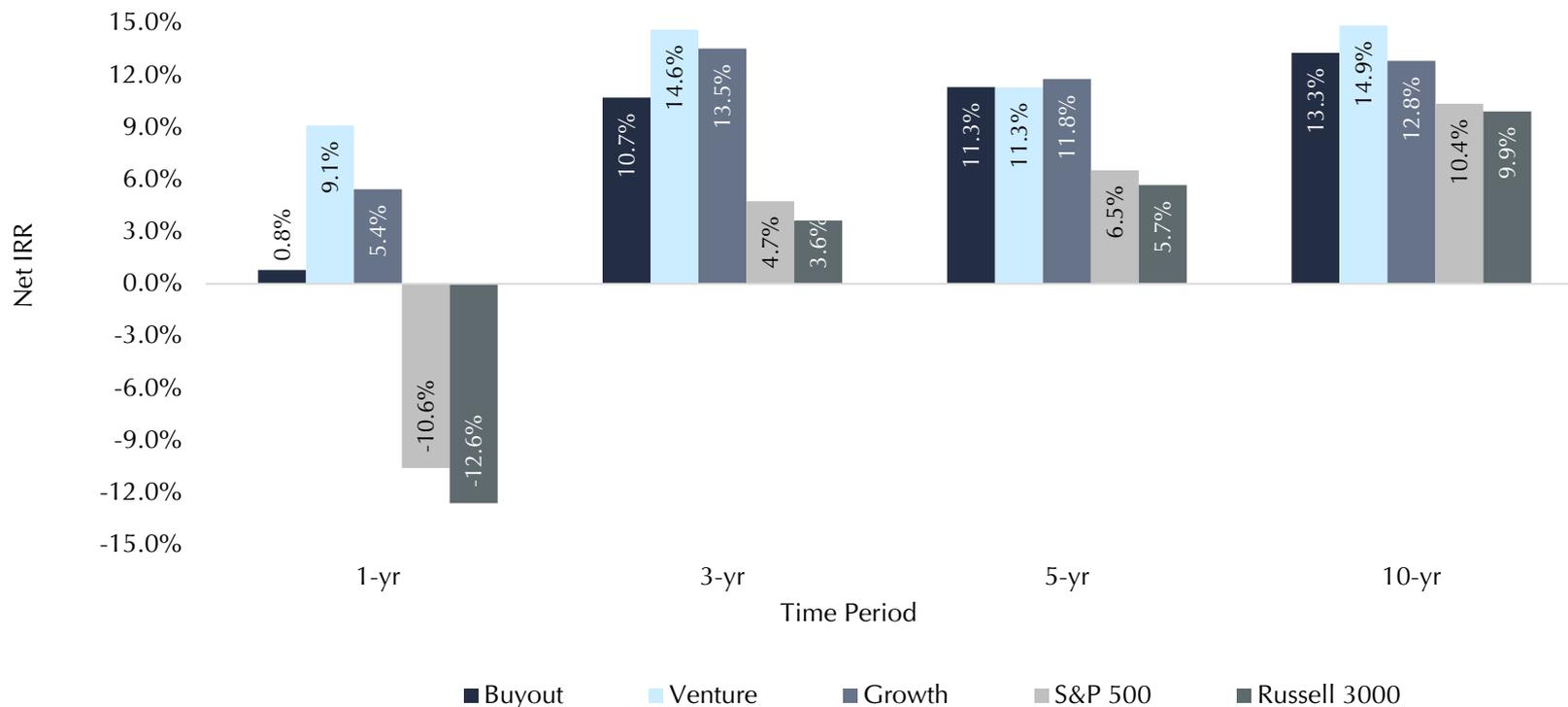
Private Equity Deal Activity Update



Private Equity Returns Relative to Public Markets

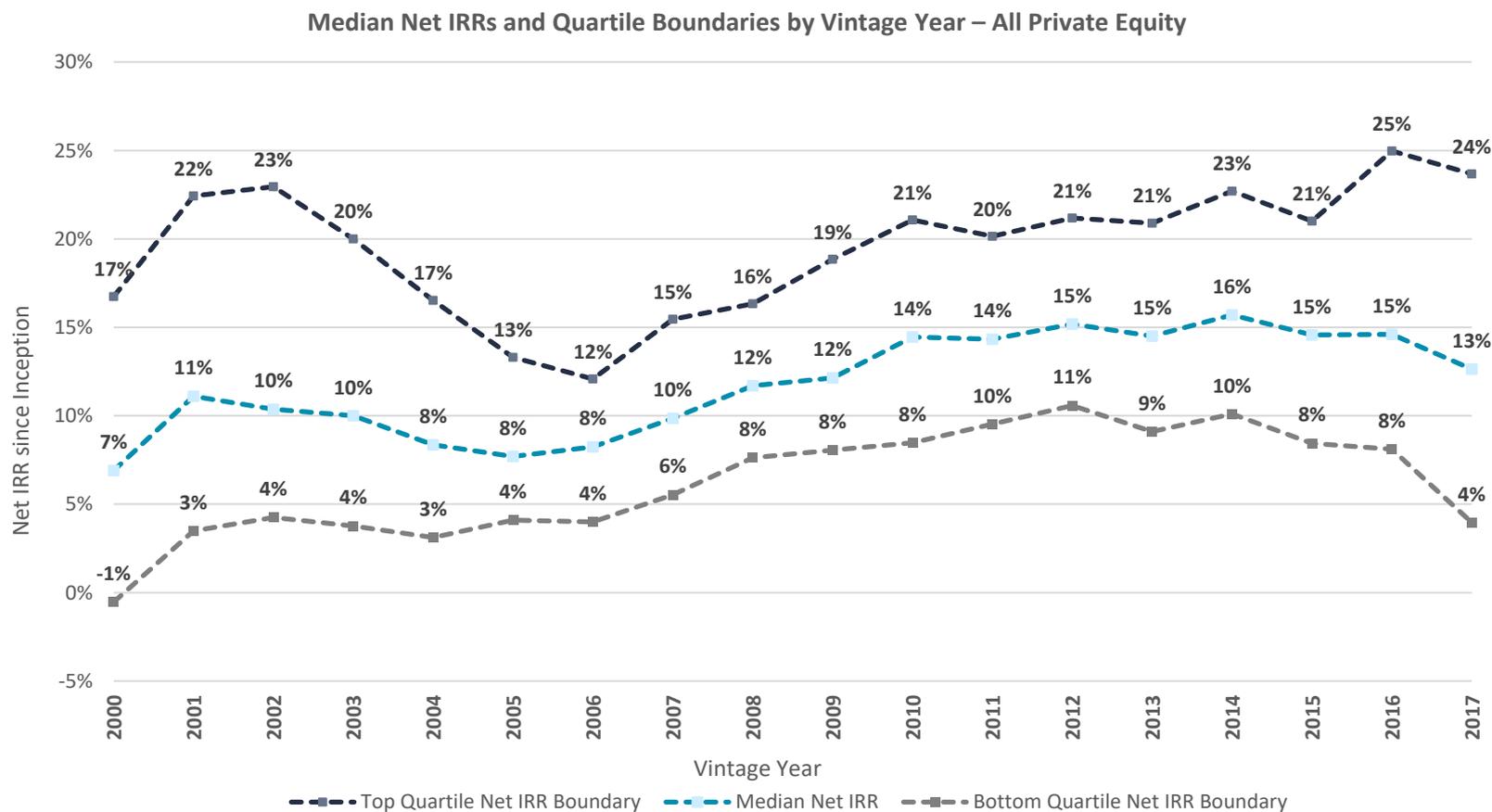
- ❖ Public markets suffered significant losses in Q1 2020 due to COVID 19 and the subsequent lockdown, but markets largely rebounded in Q2 2020
- ❖ Private equity returns, which are generally less volatile than public market returns, were not down as nearly much as public markets in Q1 2020, improving relative performance

Horizon Returns (as of March 31, 2020)

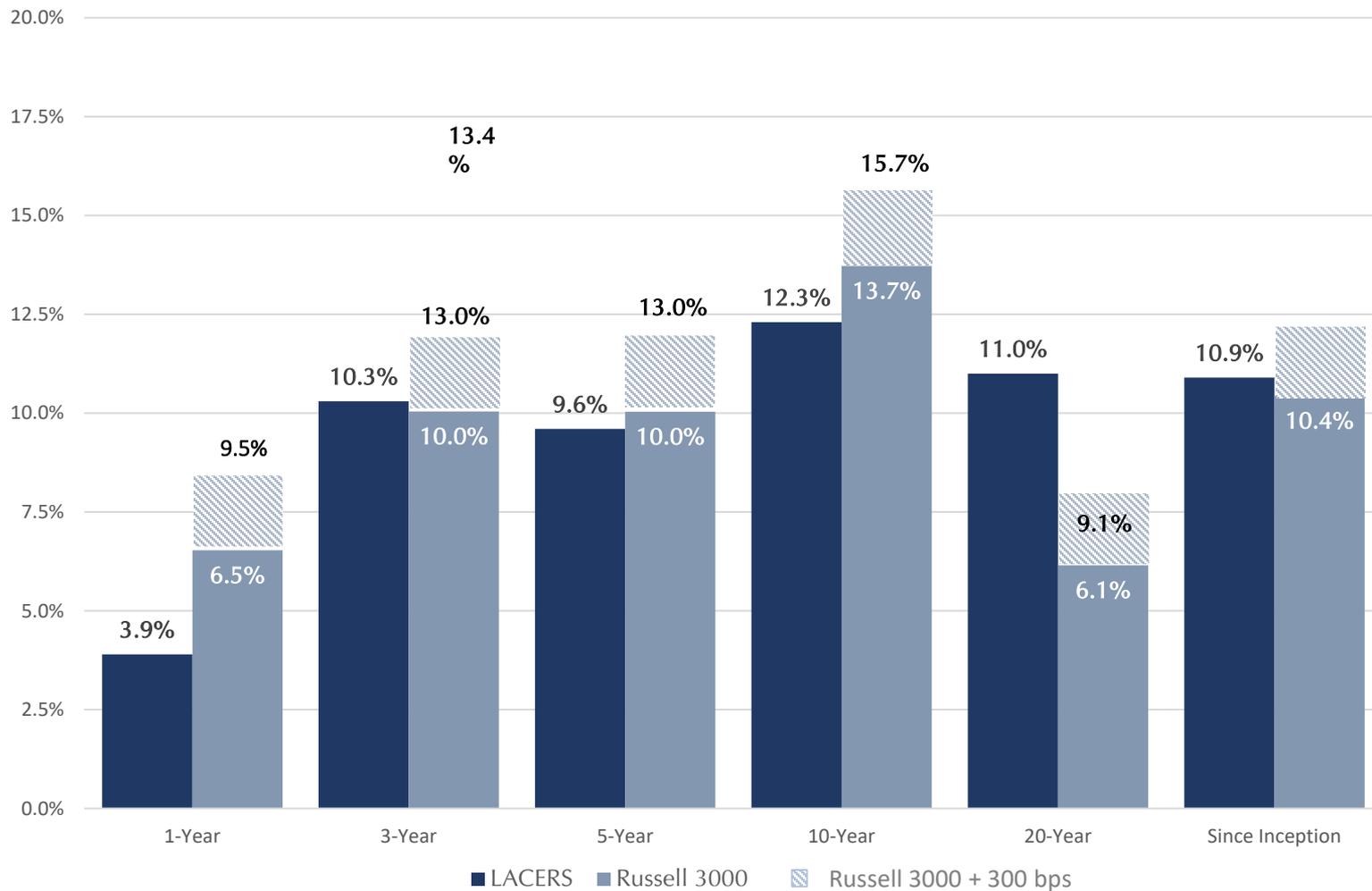


Private Equity Returns By Quartile

❖ The difference in returns from top quartile to bottom quartile performing managers remains significant



Horizon Returns as of June 30, 2020



❖ LACERS Benchmark is the Russell 3000 + 300bps

2020 Strategic Plan - Refresher

❖ Pacing Recommendations

- ❖ Commitment plan of \$625 - \$675 million proposed for 2020.
- ❖ Commitments with 10 -14 firms with a target size of \$40 - \$60 million per commitment / relationship.
- ❖ Long term goal of making \$50 - \$100 million per commitment.

❖ Long Term Investment Recommendations

- ❖ Develop a framework for the implementation of a co-investment program – from both from an investment and policy perspective.
- ❖ Develop a framework for a potential Secondary sale – from both from an investment and policy perspective.

❖ Tactical Investment Recommendations

- ❖ Selectively add exposure internationally – primarily to Europe and Asia.
- ❖ Increase exposure to Buyouts relative to other sub-asset classes and decrease Venture Capital exposure.
- ❖ Consolidate commitments with top performing managers.
- ❖ Continue to manage underlying sector exposures.
- ❖ Add exposure to strategies designed to outperform in down markets – i.e. Value-Oriented Managers, Turnaround Managers, Distressed Managers.

2020 Summary Statistics

❖ Commitment Statistics

- ❖ \$530 million in total commitments for the calendar year 2020 (through October)
- ❖ Annual target is \$650 million – the middle end of the range (\$625 - \$675 million) for 2020 Strategic Plan

❖ Geographic Breakdown of Commitments

- ❖ ~66% to U.S.-focused funds
- ❖ ~17% to European-focused funds
- ❖ ~9% to Globally-focused funds
- ❖ ~8% to Asia Pacific-focused funds

❖ Sub-Sector Breakdown of Commitments

- ❖ ~67% to Buyout-focused funds
 - ❖ ~34% Medium Buyout funds
 - ❖ ~28% to Large Buyout funds
 - ❖ ~6% to Small Buyout funds
- ❖ ~17% to Venture / Growth-focused funds
- ❖ ~16% to Distressed-focused funds

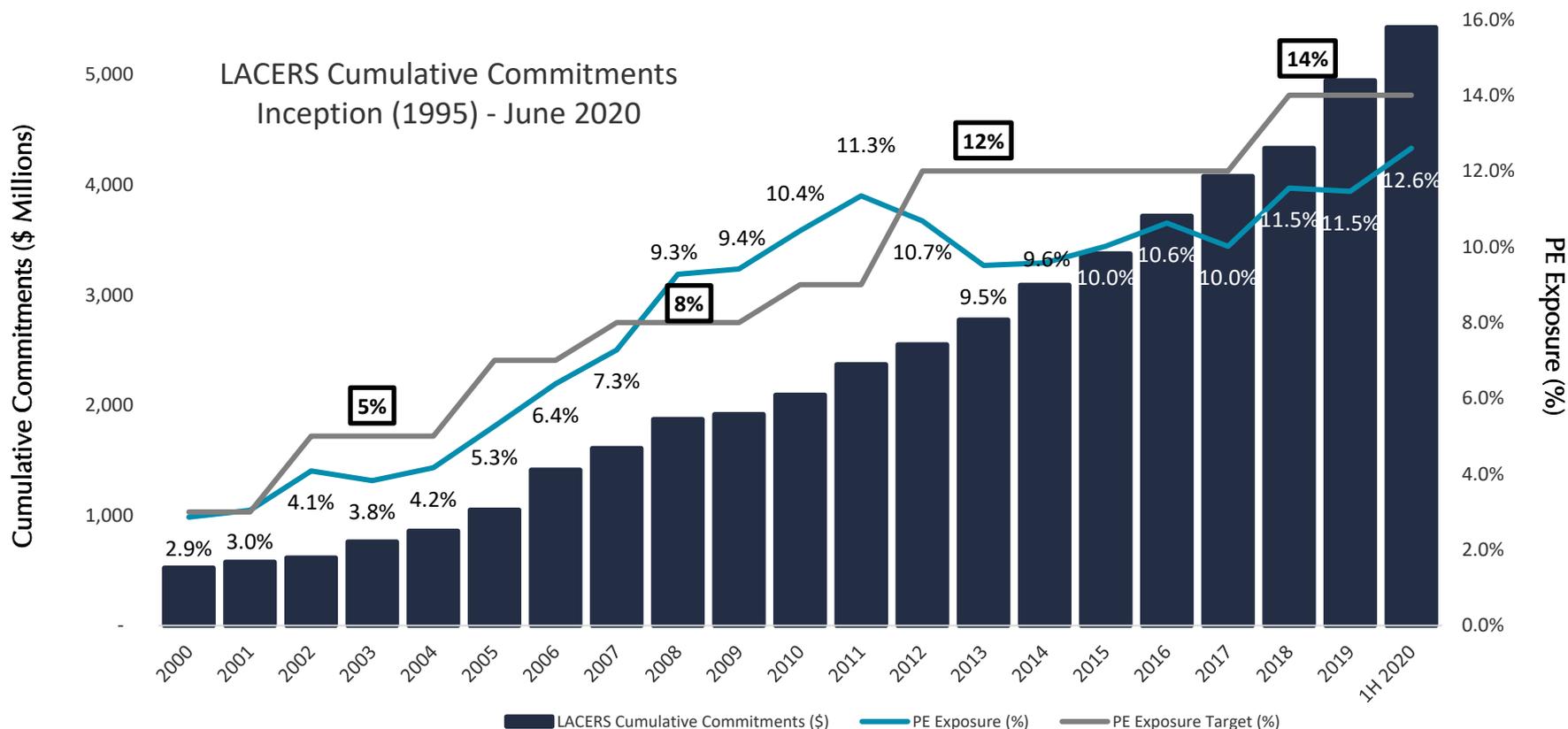
Aggregate Portfolio Summary As Of June 30, 2020

- ❖ As of June 30, 2020 the aggregate portfolio's fair market value of \$2.2 billion represents 12.6% of Total Plan Assets

Aggregate Portfolio Private Equity Exposure Summary	
Total Plan Market Value	\$17,688,591,960
Private Equity Exposure Target (%)	14.0%
Private Equity Exposure Target (\$)	\$2,476,402,874
Private Equity Exposure (%)	12.6%
Fair Market Value ("FMV")	\$2,222,304,621

- ❖ As of September 30, 2020 Total Plan Assets had increased to ~\$19.2 billion – which translates into ~11.6% exposure to private equity (based on private equity Fair Market Value as of 6/30/20)

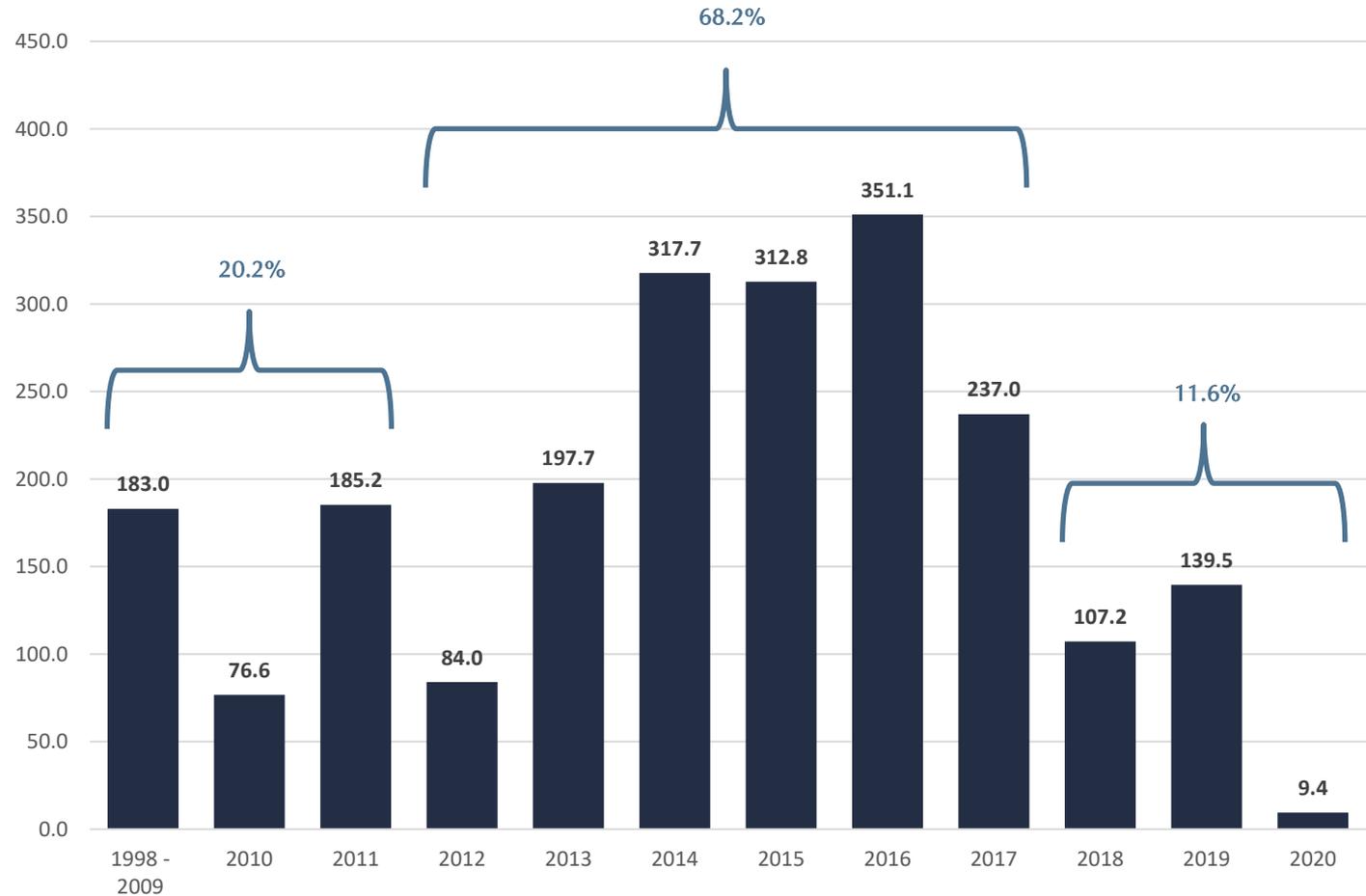
- ❖ Since inception (1995), LACERS has committed more than \$5.4 billion to private equity.
- ❖ At the current target of 14.0%, the desired exposure to private equity is ~\$2.5 billion.



LACERS Private Equity Program - Fair Market Value By Vintage Year

❖ Legacy exposure (1998 – 2011) accounts for ~20.2% of LACERS total private equity exposure

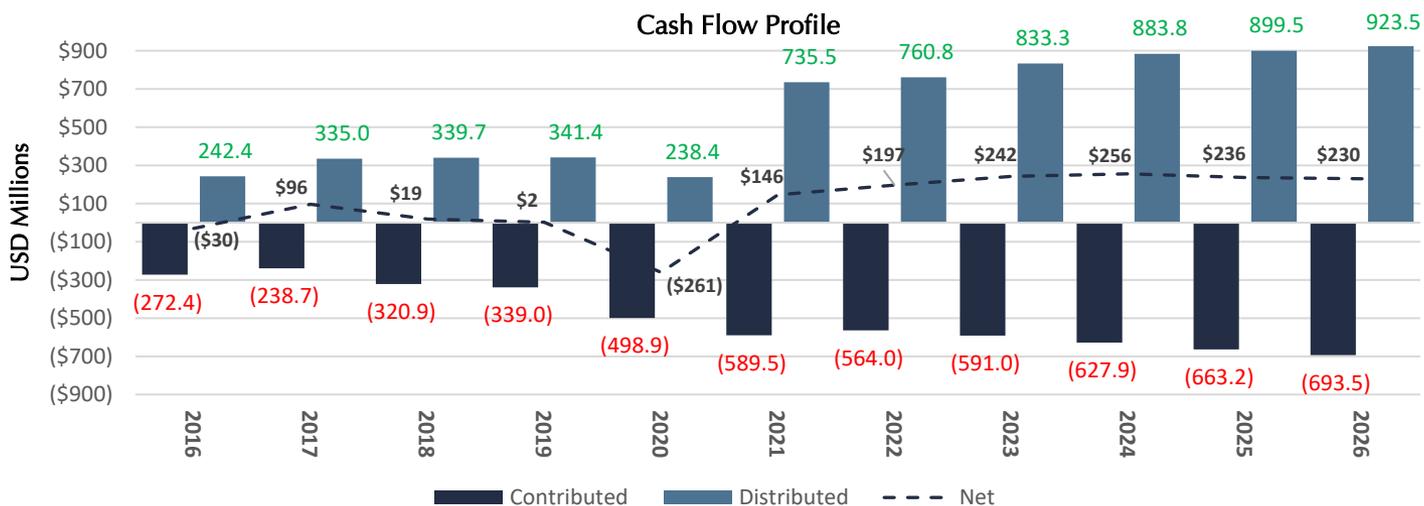
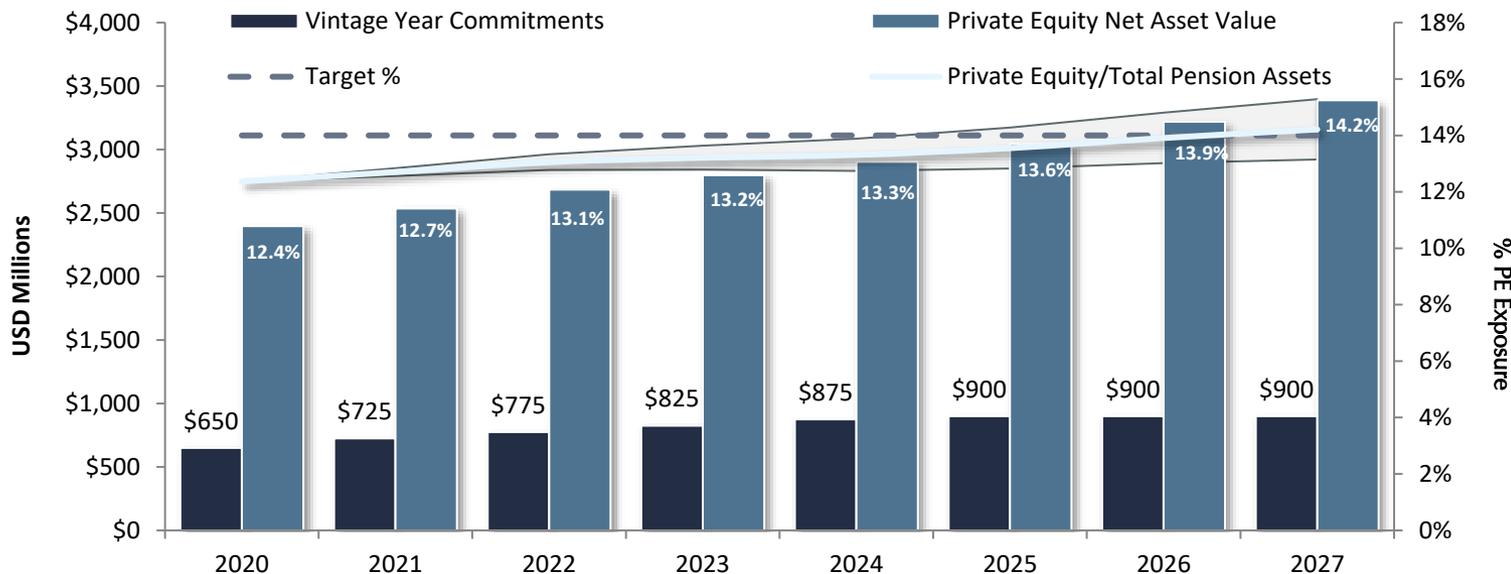
❖ The bulk of LACERS current private equity exposure (68.2%) is from funds with vintage years from 2012 – 2017



Updated Pacing Model – As of June 30, 2020

❖ The performance of public markets over the last 12-24 months has contributed to LACERS being underweight in PE

❖ The 2020 Strategic Plan had LACERS hitting it's 14.0% target in ~2024; without changing underlying assumptions, this date has been pushed out a bit

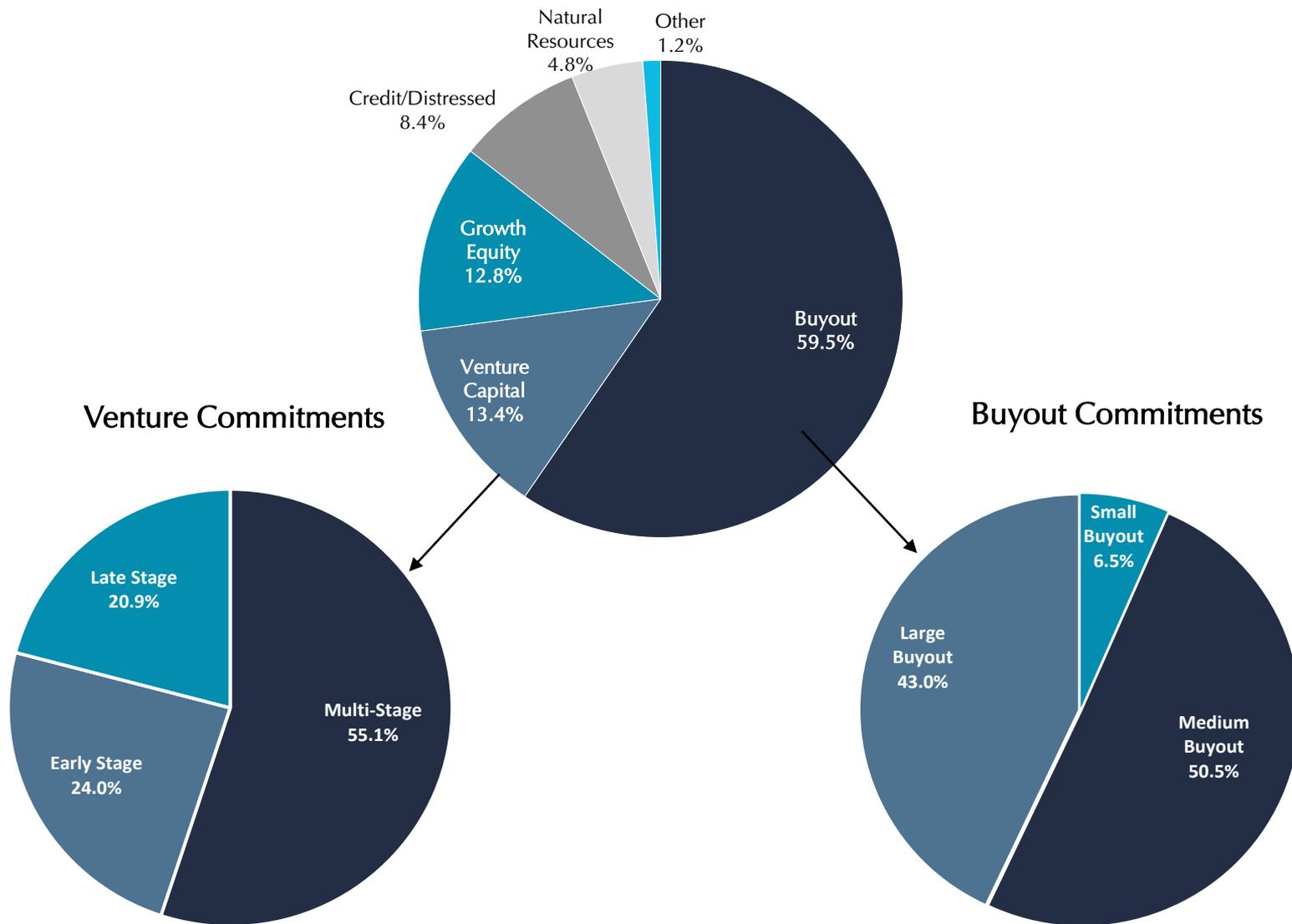


LACERS Private Equity Long Term Targets

Private Equity Asset and Sub-Asset Classes	LACERS Exposure (%)	Aksia's Suggested Long-Term Target
Buyouts	59.7%	50% – 65%
Large Buyouts	30.0%	
Medium Buyouts	25.8%	
Small Buyouts	3.9%	
Venture Capital / Growth Equity	26.0%	10% – 35%
Venture Capital	13.3%	
Growth Equity	12.7%	
Credit / Distressed	8.4%	10% – 25%
Natural Resources / Other	5.9%	0% – 5%

LACERS Exposure / Commitments by Asset Class

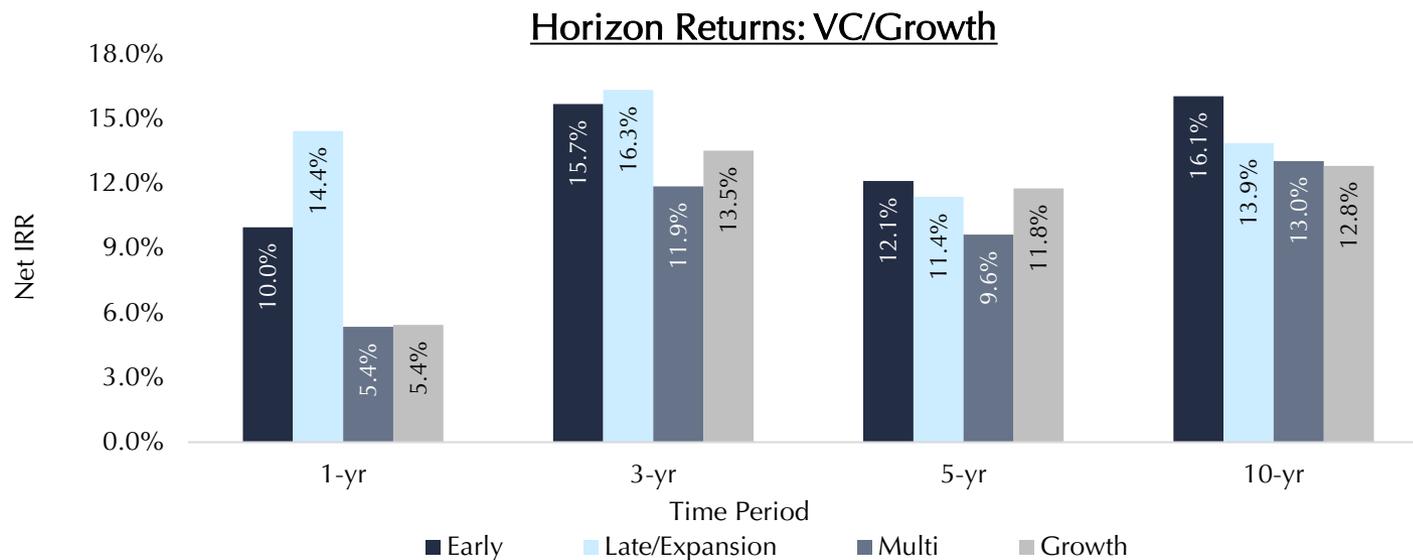
Current Exposure – By Asset Class



❖ Large and Mega Buyouts have outperformed Small Buyouts over time

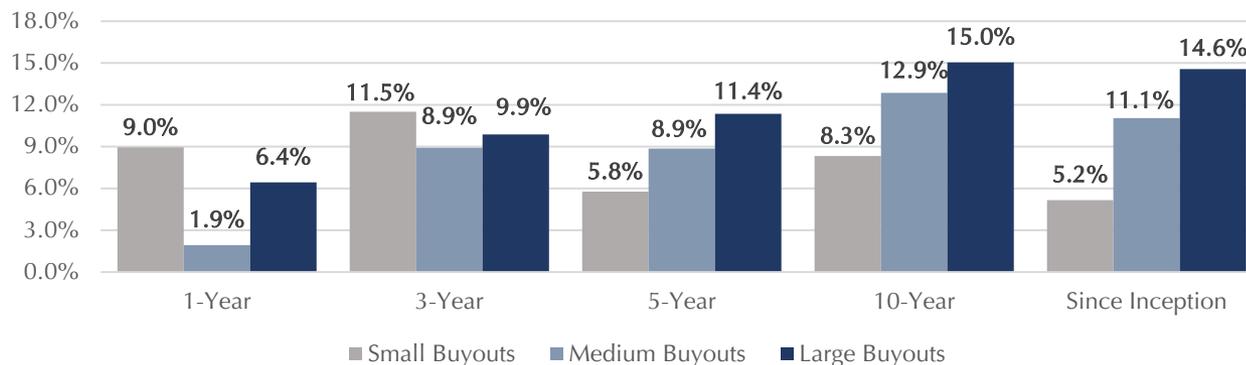


❖ Both Venture Capital and Growth funds have performed well on an aggregate basis over the last decade

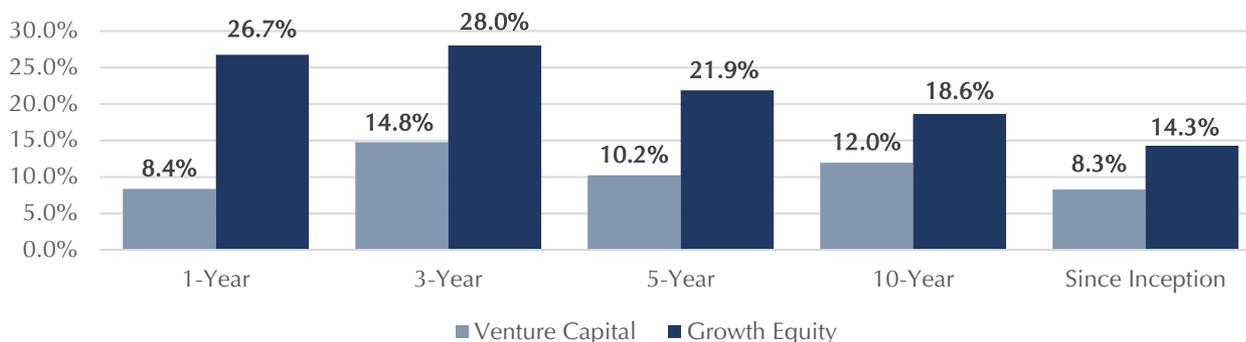


LACERS' Horizon Returns by Sub-Strategy

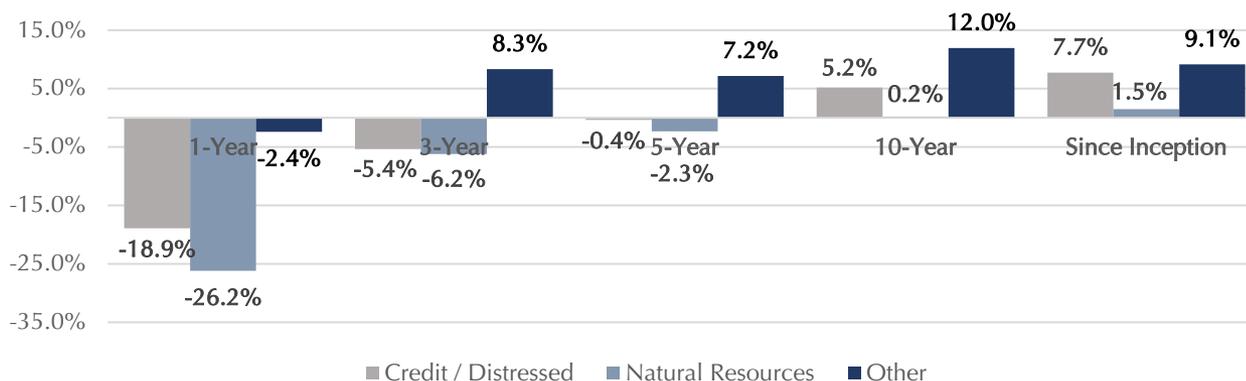
❖ Large and Medium Buyouts have outperformed Small Buyouts over time



❖ Growth Equity has outperformed Venture Capital over various time horizons

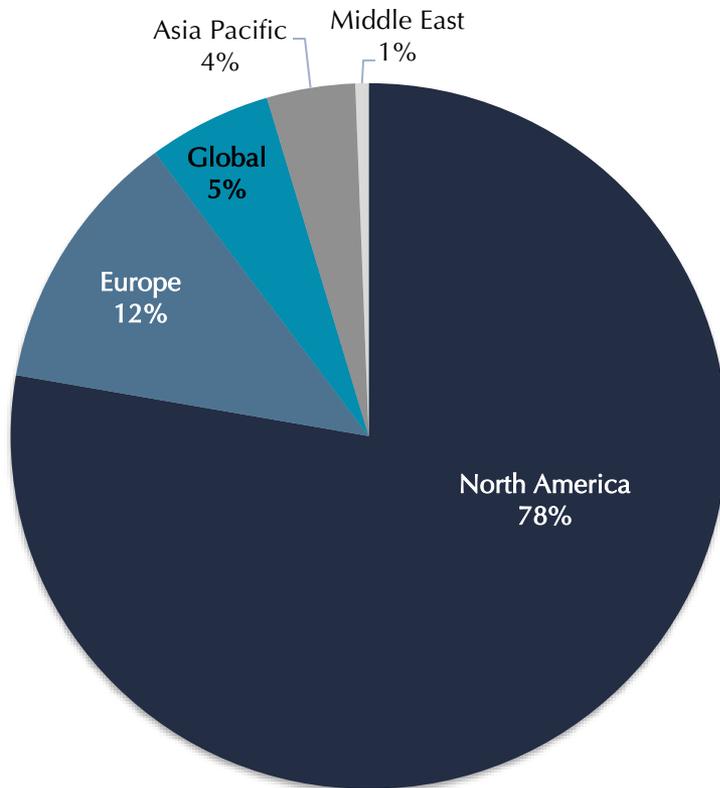


❖ Natural Resources funds have been challenged over time

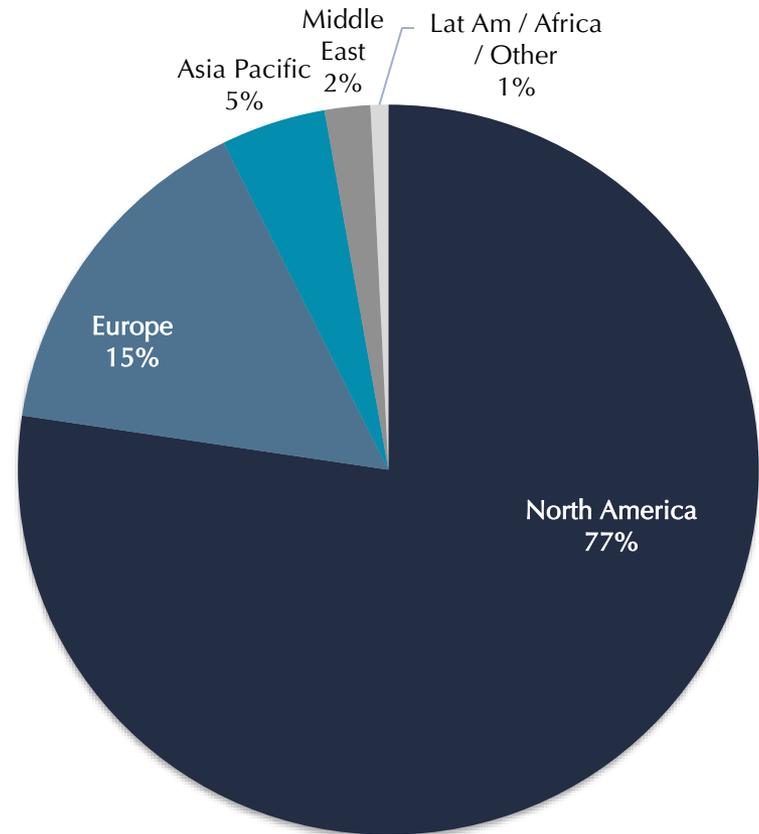


LACERS Commitments by Geography

Fund Commitments – By Geography



Current Exposure – By Geography



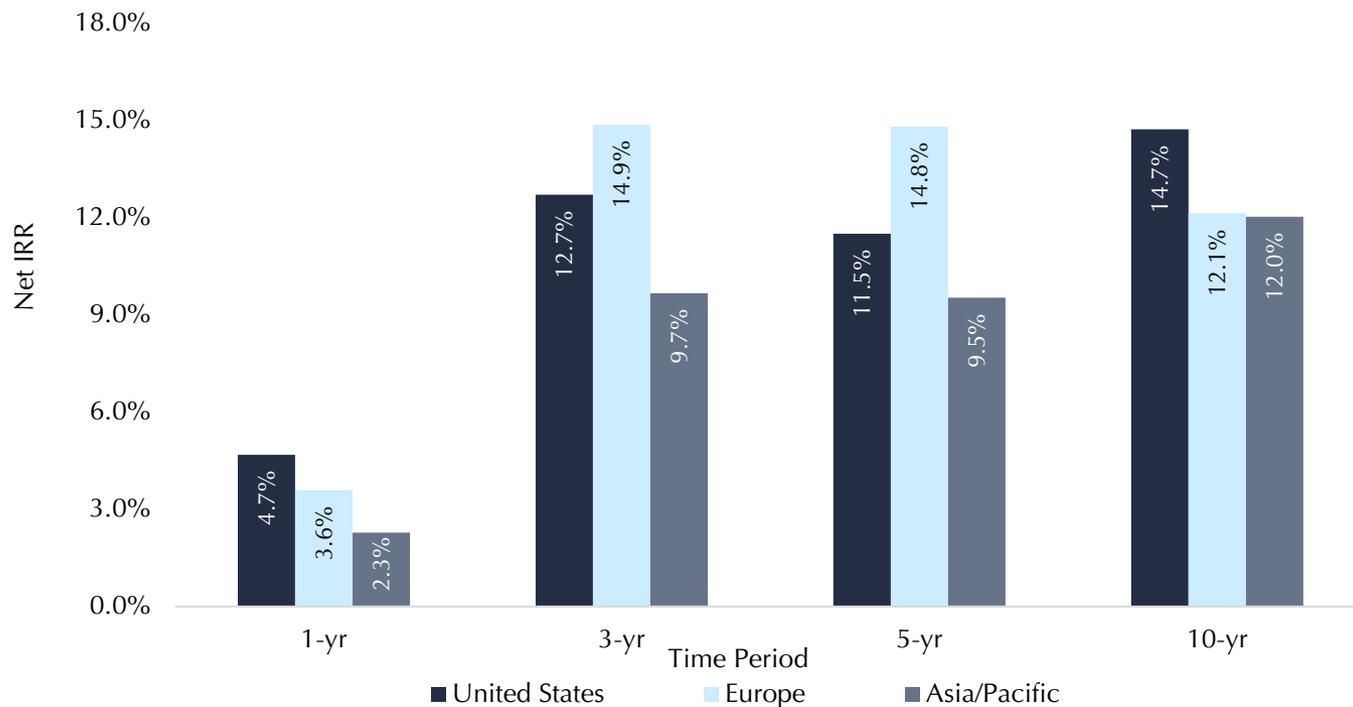
Horizon Returns By Geography

- Over the 3-year and 5-year time periods to March 31, 2020, European Private Equity outperformed both the U.S. and Asia/Pacific
- Over the 10-year time period to March 31, 2020, U.S. Private Equity outperformed both Europe and Asia/Pacific

❖ While risk varies by specific geography, broadly speaking, Europe and Asia/Pacific appear to offer commensurate returns with the U.S.

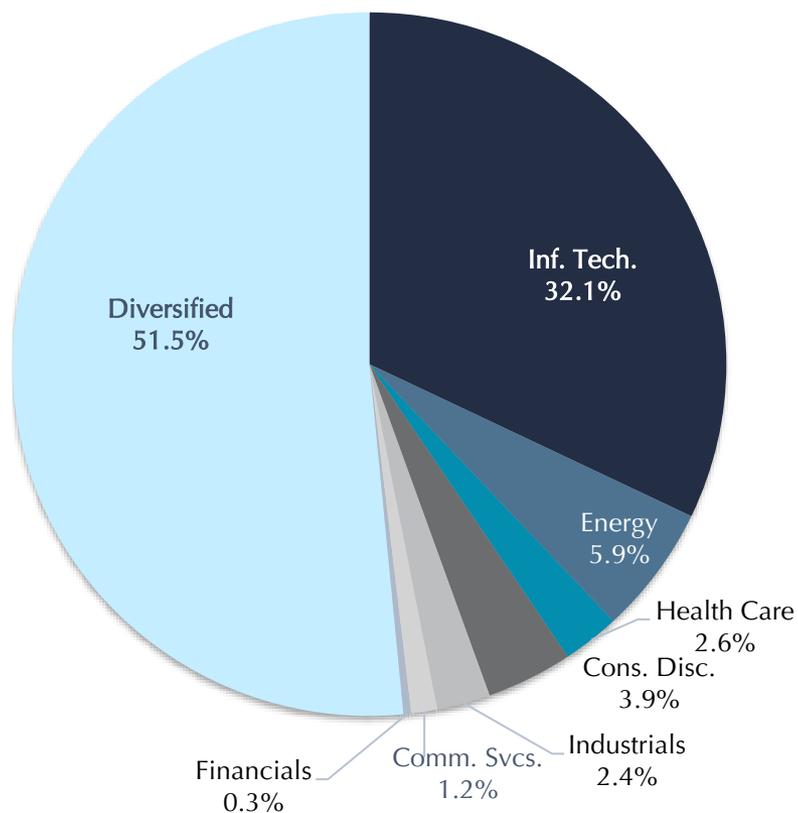
❖ Adding international exposure can improve diversity in LACERS PE portfolio without sacrificing returns

Horizon Returns By Geography (as of March 31, 2020)

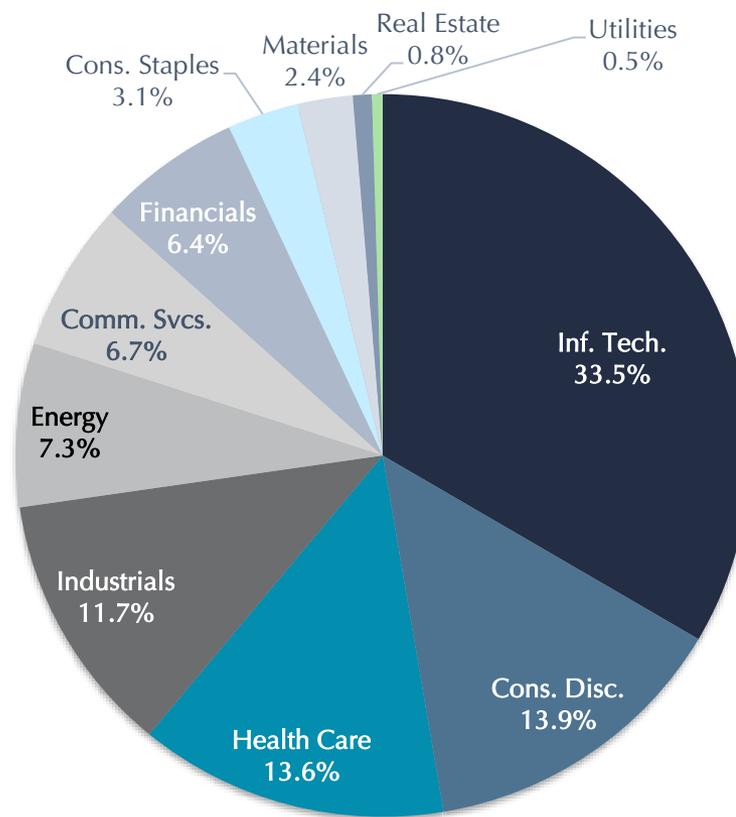


LACERS Commitments and Exposure by Sector

Fund Commitments – By Sector



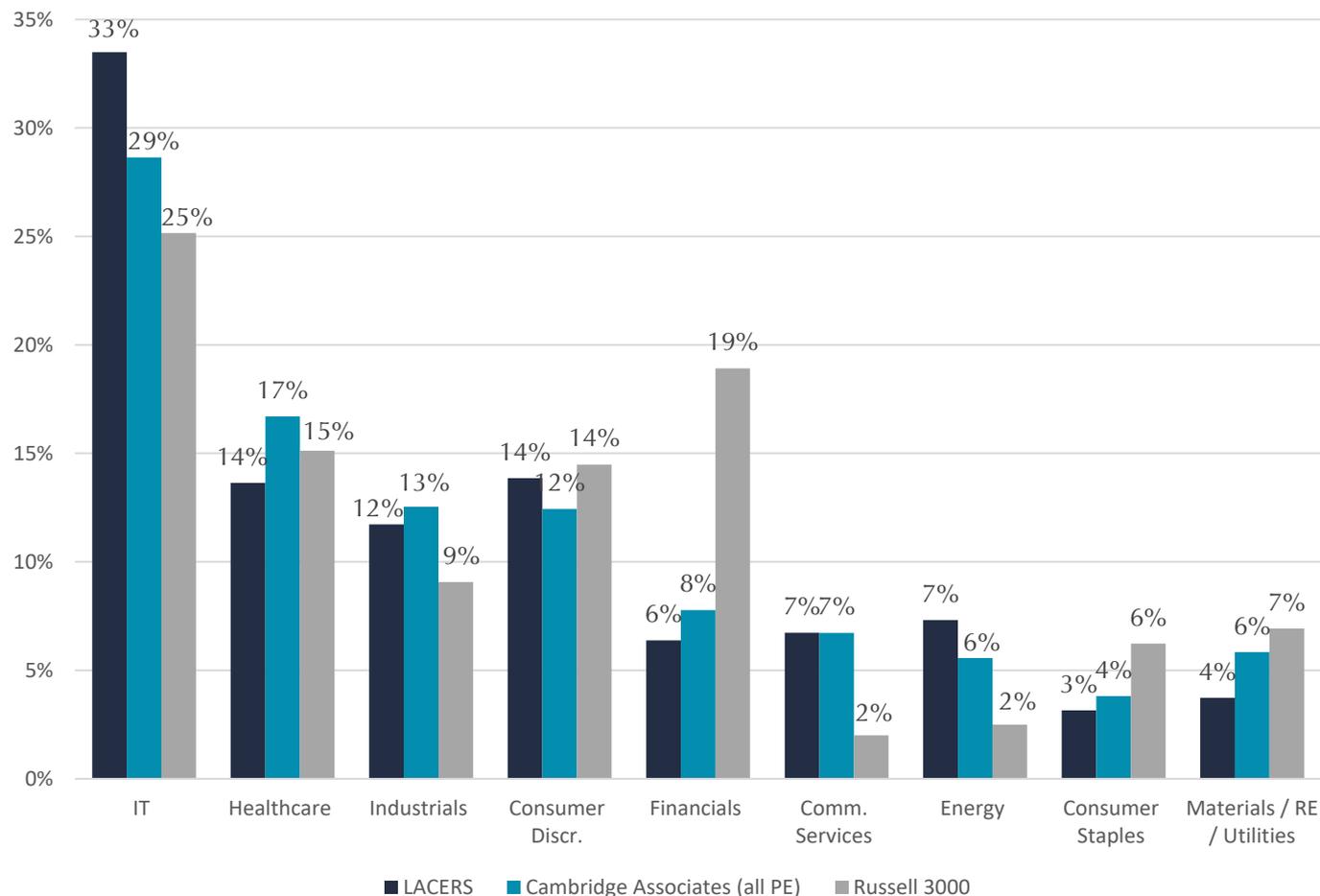
Current Exposure – By Sector



LACERS Exposure by Sector vs. Benchmarks

- ❖ When compared to public and private benchmarks, LACERS is overweight in the Information Technology sector
- ❖ When compared to public and private benchmarks, LACERS is underweight in the Healthcare sector
- ❖ LACERS biggest mismatch with public markets is in the Financials sector

LACERS Sector Exposure vs. Benchmarks



SWOT Analysis – Strengths & Weaknesses

❖ Strengths

- ❖ Existing GP Relationships: LACERS currently maintains relationships with a number of high-quality GPs that should continue to scale over time
- ❖ Brand / Reputation: LACERS has a reputation in the market as a long-term investor with a sophisticated and growing investment staff, which should open doors to new high-quality firms
- ❖ Disciplined Investment Process: LACERS investment process allows for disciplined decision making and consistent deployment regardless of market dislocations
- ❖ Flexible Mandate: LACERS has the ability to invest selectively across a variety of sub-sectors within private equity
- ❖ Sector Exposure: LACERS PE portfolio is currently weighted towards IT (33%) and Healthcare (14%), both sectors which have proven to be fairly resilient in a downturn

❖ Weaknesses

- ❖ Over Diversification: LACERS has an overdiversified private equity portfolio, with a large enough number of relationships that returns may exhibit reversion to the mean
- ❖ Legacy Performance: The legacy portfolio will continue to be a drag on performance, including the Specialized Portfolio
- ❖ Co-Investment Program: Today, LACERS does not have an active co-investment program while many other similar LPs are developing such programs
- ❖ Lack of Negotiating Power: Given the size of investments and the focus on commingled funds, LACERS has relatively limited negotiating power

SWOT Analysis – Opportunities & Threats

❖ Opportunities

- ❖ Market Volatility: Recent market turmoil and the potential for future market turmoil can be an opportunity for nimble and experienced investors in private equity
- ❖ Portfolio Consolidation: LACERS has existing relationships with several high-quality GP's, and has the potential to develop long-term relationships with other high-quality GP's
- ❖ Co-Investments: Pursuing co-investments in-house or through third parties can increase exposure to core GP's while simultaneously helping to mitigate costs
- ❖ Secondary Transactions: The secondary market has evolved to the point that it can be viewed as a potential investment as well as a portfolio management tool
- ❖ Emerging Managers: Today's emerging managers may be the new generation of top-tier performers. The ability to invest in these managers early on in their life may help with long-term access to outperforming emerging managers

❖ Threats

- ❖ Broad Co-Investment Appetite: Many LP's are seeking co-investments and are fostering relationships with GP's or third parties to secure access
- ❖ Market Volatility: The public markets have been fairly volatile recently; a significant drop in public markets can impact valuations of
- ❖ High Pricing: Entry Multiples in 2018 and 2019 surpassed 2007 highs; while these levels were tested in 2020 due to COVID 19, they have not come down significantly
- ❖ Disclosures / Regulations: AB2833 and other reporting requirements may be disagreeable to certain top-quartile GPs; potentially a bigger issue in Venture Capital vs Buyouts sub-sector

2021 Long Term Strategic Plan Recommendations

❖ Pacing

- ❖ Maintain consistent incremental increases in annual commitments until LACERS reaches its private equity target of 14.0%
- ❖ Commitment plan of \$675 - \$750 million proposed for 2021
- ❖ Commitments to 14 -18 firms with a target size of \$50 - \$70 million per commitment / relationship
 - ❖ Includes 3-5 investments of up to \$20 million in various Emerging Managers

❖ Broad Portfolio Considerations

- ❖ Continue consolidating commitments with top performing managers
- ❖ Continue to selectively add exposure internationally – primarily to Europe and Asia
- ❖ Continue increasing exposure to Buyouts relative to other sub-asset classes
- ❖ Continue to manage underlying sector exposures
 - ❖ Monitor IT exposure to make sure it doesn't get over 40% threshold
 - ❖ Potentially increase exposure to Healthcare and other select sectors
- ❖ Continue to add exposure to strategies designed to outperform in down or sideways markets – i.e. Value-Oriented Managers, Turnaround Managers, Distressed Managers

2021 Short Term Tactical Recommendations

Lean Into the Strengths

- ❖ Existing GP Relationships: Increase exposure to existing, high conviction managers that are back in market in 2021

- ❖ Brand / Reputation: Leverage LACERS reputation to initiate new relationships of scale with high quality GPs that are in market in 2021 and where the relationship can be scaled over time

- ❖ Flexible Mandate: Leverage LACERS ability to invest across sub-asset classes and take advantage of the full spectrum of private equity activities
 - ❖ Continue developing a framework for the implementation of co-investment program
 - ❖ Potentially invest in a commingled co-Investment fund in 2021 and begin broader strategic conversations
 - ❖ Continue developing a framework for the implementation of a secondary program
 - ❖ Potentially invest in a commingled secondary fund in 2021 and begin broader strategic conversations
 - ❖ Continue exploring a potential secondary sale when conditions are favorable

- ❖ Sector Exposures: Continue to overweight the IT sector while maintaining appropriate diversity across sectors
 - ❖ Potentially emphasize other sectors such as healthcare

2021 Short Term Tactical Recommendations

Capitalize on Opportunities

- ❖ Market Volatility: Continue to review and potentially invest with value-oriented, turnaround, and distressed investment managers
- ❖ Co-Investments: Continue to evaluate potential 3rd party co-investment managers and push forward on longer term plans to develop LACERS co-investment program
- ❖ Secondaries: Continue building a framework for to address secondary transactions – both on the “buy” and the “sell” side
 - ❖ Continue discussions and preparations for a potential portfolio secondary sale
- ❖ Emerging Managers: Continue targeting high-quality first-time managers / spin-outs / diverse managers

❖ Minimize Weaknesses / Counter Threats

- ❖ Over Diversification: Continue to trim relationships and consolidate capital with higher-conviction managers
- ❖ Legacy Performance: Continue to consider and lay the groundwork for a portfolio secondary sale when appropriate
- ❖ Co-Investment Program: Continue to lay the groundwork for a co-investment to help increase exposure to high-quality GPs and simultaneously mitigate fees and expenses



REPORT TO BOARD OF ADMINISTRATION

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

MEETING: NOVEMBER 24, 2020
ITEM: VIII – F

SUBJECT: CONTINUED DISCUSSION OF INVESTMENT POLICY MANUAL REVIEW AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

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

Executive Summary

On November 10, 2020, the Committee considered and concurred with staff’s proposed revisions to the Manager Monitoring Policy.

Discussion

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

Pursuant to Section V.I of the IP, the Board shall review the IP at least annually, with the assistance of staff and investment consultants, and revise as necessary. As part of the Board’s 2020 annual IP review, staff and LACERS’ general consultant, NEPC, LLC, propose revisions to the Manager Monitoring Policy (Policy), as contained in the attached redline document. These amendments refine the evaluation process and factors pertaining to “On Watch” status for active and passive managers, as well as make other technical and administrative updates.

On November 10, 2020, the Committee reviewed and discussed the proposed revised Policy (Attachment 1) with staff. The Committee inquired about the changes to the factors for placing managers on “On Watch” status. Staff explained that the revised factors eliminate shorter-term (three-year) metrics in favor of longer-term (five-year) metrics for evaluating manager performance and risk, remove redundant metrics, and enhance the evaluation process. The Committee concurs with staff’s proposed revisions and recommends that the Board approve these amendments to the Policy. Upon the Board’s approval, staff may make additional minor administrative edits to be incorporated in the revised version of the IP.

Strategic Alignment

Revising the LACERS Investment Policy Statement aligns with the Strategic Plan Goals to optimize long-term risk adjusted investment returns (Goal IV), to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V), and to maximize organizational effectiveness and efficiency (Goal VI).

Prepared By: James Wang, Investment Officer I, Investment Division

NMG/RJ/BF/JW:jp

- Attachments:
1. Manager Monitoring Policy – Proposed Revisions (Redline Version)
 2. Manager Monitoring Policy – Proposed Revisions (Clean Version)
 3. Manager Monitoring Policy – Current Board Approved Version

[Proposed Revised Manager Monitoring Policy \(Redline Version\)](#)
[As of November 24, 2020](#)

VIII. MANAGER MONITORING POLICY (LIQUID MARKETS STRATEGIES)

A. Purpose

The purpose of this policy is to:

1. provide a disciplined, methodical process for determining whether to retain or terminate managers of liquid markets strategies due to poor relative performance, organizational or personnel issues, or other factors which reduce LACERS' conviction in the manager/strategy;
2. establish general guidelines for monitoring the effectiveness of implementing the liquid markets investment strategies for which the investment managers are retained;
3. provide a detailed framework and criteria for placing a manager "On Watch" status;
4. provide a systematic, consistent, and objective framework for recommending or electing to retain or terminate a manager.

LACERS' objective is to determine the likelihood of future success of the strategy; therefore, it is important that retention/termination decisions focus on qualitative aspects of each manager's investment philosophy, strategy and process, as well as quantitative assessment of past and current performance.

It is also important to consider that each manager's situation is unique, and must be analyzed on an individual basis, taking into account any unique circumstances affecting the manager and its relationship with LACERS.

Liquid market strategies are strategies where the securities are publicly traded on daily priced exchanges or via the bond auction markets and which are housed within separate account portfolios, mutual funds, or commingled/collective funds with at least monthly liquidity. For investment managers that are not classified as liquid, mainly Private Equity and Real Estate, separate policies have been set up in Section X and XI, respectively.

B. Monitoring and Evaluation

Investment managers will be monitored in the following areas:

1. Investment performance relative to a specific benchmark and an appropriate peer group;
2. Investment risk relative to specific benchmark and an appropriate peer group;
3. Performance per unit of risk relative to specific benchmark and an appropriate peer group (information ratio);
4. Adherence to the investment manager's philosophy, process, and stated investment style/strategy;
5. Organizational and personnel continuity;
6. Compliance with Investment Manager Guidelines and Investment Policy.

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LACERS' Staff and the General Fund Consultant will review and evaluate investment managers, quantitatively and qualitatively, using the following procedures:

1. Quarterly quantitative review of performance and risk relative to its specific benchmark and an appropriate peer group of active managers over various measurement periods (normally three to five years);
2. Quarterly review of portfolio characteristics, performance trends, style consistency, and risk expectations (standard deviation and tracking error);
3. Annual due diligence meeting at LACERS' office;
4. Conduct a due diligence meeting at least once during the contract period at the investment manager's office for actively managed mandates (unless significant organizational change warrants immediate evaluation) and at staff's discretion for passively managed mandates if there are no triggered factors in either Sections VIII.E or VIII.F-;
- ~~4. Every three years (generally) conduct due diligence meeting at the investment manager's office, unless significant organizational change warrants immediate evaluation;~~
5. More frequent, detailed and formal review of investment managers "On Watch" (see Section VIII.C below).

Following any evaluation, Staff and General Fund Consultant will determine whether ~~the~~an investment managers will be placed "On Watch". An active mandate manager will be placed "On Watch" if the investment manager either:

- ~~1. it~~ 1. Fails to meet both two or more quantitative and/or qualitative factors as listed under the Active Mandates category of in Section VIII.E and for two consecutive quarters VIII.F. Failure to meet only one of these factors will not warrant "On Watch" status; or
- ~~2. However, i~~ 2. Experiences n situations where there is material organizational, personnel, or strategy or personnel changes which that directly impact the product in which LACERS is invested, causing a breach of any one of the qualitative factors as listed in Section VIII.F

A passive mandate manager will be placed "On Watch" if the investment manager either:

1. Fails to meet the quantitative factor as listed in under the Passive Mandates category of Section VIII.E for two consecutive quarters; or
2. Experiences material organizational, personnel, or strategy changes that directly impact the product in which LACERS is invested, causing a breach of any one of the qualitative factors as listed in Section VIII.F, no additional factors would be required to place the firm in "On Watch" status.

Proposed Revised Manager Monitoring Policy (Redline Version)
As of November 24, 2020

C. Managers “On Watch”

LACERS shall notify investment managers in writing of their status should they be placed “On Watch”. Typically, “On Watch” status applies for one year from the initial placement date. However, the review period can be extended beyond the one year period based on the progress the investment manager is making such that the quantitative or qualitative factors listed in Section VIII.E and VIII.F are resolved.

The Board is updated on a quarterly basis of all managers’ performance, status, and “On Watch”.

Managers “On Watch” will receive no additional funding from rebalancing, contributions or other sources. However, funds may be withdrawn for rebalancing or liquidity needs.

D. Newly-Hired Managers

Quantitative factors will be evaluated quarterly, but shall not cause a manager to be placed “On Watch” until three years or more after inception, unless the manager demonstrates performance that is materially inconsistent with expectations or experiences organizational issues.

E. Quantitative Factors

Factor	Trigger	Action
Annualized <u>net</u> performance relative to its benchmark for trailing <u>3- years</u>	Underperforms (net of fees) in 8 of 12 previous quarters	Place “On Watch” and notify manager
Annualized <u>net</u> performance relative to its benchmark for trailing <u>5- years</u>	Underperforms (net of fees)	Place “On Watch” and notify manager
ACTIVE MANDATES <u>Annualized net performance relative to peer median performance for trailing 5- years</u> Moving	<u>Underperforms (net of fees) trailing 5--year peer median performance¹ Greater than two standard deviations from ‘Since inception’ mean TE²</u>	Place “On Watch” and notify manager, <u>if both active mandate quantitative factors fail for two consecutive quarters</u>

¹ For investment managers under contract with LACERS less than five years, a manager’s pre-hire composite performance data may be combined with LACERS performance data to evaluate this factor, subject to the provisions of Section VIII.D

² Or over at least a 5-year period using pre-hire data if inception less than five years.

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average tracking error (TE) for 3-years		
Moving average tracking error (TE) for 5-years	Greater than two standard deviations from 'Since inception' mean TE³	Place "On Watch" and notify manager
Moving average <u>net</u> Information Ratio for trailing <u>5-years</u>	<u>Trailing 5-year Information Ratio F</u> falls below 0.20 ¹	Place "On Watch" <u>, and notify manager, if both active mandate quantitative factors fail for two consecutive quarters if fails another quantitative factor</u>
PASSIVE MANDATES Annualized <u>net</u> performance relative to its benchmark for trailing <u>1-year</u>	Underperforms (net of fees) by more than 0.2% <u>, excluding the impact of cash flows initiated by LACERS staff- (e.g., cash withdrawals, monthly dividend sweeps)</u>	Place "On Watch" and notify manager
Annualized average tracking error (TE) for 1-year	Greater than 1%	Place "On Watch" and notify manager

³~~Or over at least a 10-year period using pre-hire data if inception less than ten years.~~

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F. Qualitative Factors

A significant and potentially adverse event related to, but not limited to, any of the following qualitative issues or events may result in placing the investment manager on the “On Watch” status or an immediate termination.

Criteria	Factor	Action
Organization	Change in firm ownership and/or structure	Place “On Watch”, if determined that change might detrimentally affect performance and strategy
	Loss of one or several key personnel, specifically personnel on LACERS portfolio product	Place “On Watch”, if determined the turnover will impair the firm’s investment capabilities
	Significant loss of clients and/or assets under management	Place “On Watch”, if there is a high client turnover and high volume of outflows
	Significant and persistent lack of responsiveness to LACERS requests	Place “On Watch”, if service deterioration inhibits ability to monitor
	Regulatory agencies’ investigation and/or material litigation	Place “On Watch”, if nature, seriousness, and likely impact of charges on the firm and investment product warrant
Strategy and Risk Control	Deviation from stated investment philosophy, style, and process, <u>and/or expected portfolio characteristics as described in the investment management guidelines (e.g., tracking error, market capitalization range, duration)</u>	Place “On Watch” if deviation persists for more than 4 quarters. Terminate if no longer consistent with LACERS objective
	Risk management controls and procedures	Place “On Watch” for repeated guideline or policy violations

G. Courses of Action

After placing an investment manager “On Watch” status the following steps will be taken:

1. Staff will contact the investment manager and formally inform them of their status in writing. Notification shall indicate the reasons why the firm is “On Watch” and request the

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investment manager to explain and to provide plan of action to remove itself from “On Watch” status;

2. Staff and/or General Fund Consultant will meet with the investment manager, either in person or telephonically, following receipt of a written response from them;
3. Staff shall monitor the progress of the investment manager’s implementation of the plan of action;
4. After the initial one year period, Staff and General Fund Consultant shall determine whether to remove the manager from “On Watch” status or continue the “On Watch” status. Staff may recommend a manager termination subject to the Board’s approval.

If deemed necessary, the Board may request the investment manager to appear before the Board to explain the situation. Non-compliance with respect to the Board request shall be cause for an immediate termination recommendation by Staff to the Board.

H. Halting of Trading Activity

Investment managers may be required to halt trading activity by the Chief Investment Officer as soon as practicable due to unusual and significant operational risk factors that are deemed to have a material impact on the System; and, without immediate action taken by the Chief Investment Officer, could result in material harm or impairment to LACERS’ portfolio. Halting of the trading activity is subject to the concurrence of LACERS General Manager ([or the acting designated Executive Officer or Assistant General Manager in the General Manager’s absence](#)) and General Fund Consultant. The Chief Investment Officer shall report the action(s) at the next scheduled Board meeting. Authorization to resume trading activity by the Chief Investment Officer requires the concurrence of LACERS General Manager ([or the acting designated Executive Officer or Assistant General Manager in the General Manager’s absence](#)) and the General Fund Consultant.

I. Termination

The Board reserves the right to terminate an investment manager for any reason regardless of status. Grounds for investment manager termination may include, but are not limited to, the following reasons:

1. Failure to comply with the guidelines agreed upon for management of the Board’s portfolio, including holding restricted issues;
2. Failure to achieve performance objectives specified in the manager’s guidelines;
3. Significant deviation from the manager’s stated investment philosophy and/or process;
4. Loss of key personnel;
5. Evidence of illegal or unethical behavior by the investment management firm;
6. Lack of willingness to cooperate with reasonable requests by the Board for information, meetings or other material related to its portfolios;
7. Loss of confidence by the Board in the investment manager;

[Proposed Revised Manager Monitoring Policy \(Redline Version\)](#)
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8. A change in the System's asset allocation program, which necessitates a shift of assets to another sector.

The Board will carefully review any one of these factors; however, the presence of any one of these factors may not necessarily result in a termination.

Upon the Board's approval of termination, Staff will notify the investment manager in writing of the termination process and the date on which to cease all trading based on operational needs. Staff will keep the Board informed of the termination progress.

All of LACERS investment management contracts under the Manager Monitoring Policy (Liquid Markets Strategies) allow LACERS to terminate the manager, with or without cause, after 30 days' written notice

Proposed Revised Manager Monitoring Policy (Clean Version)
As of November 24, 2020

VIII. MANAGER MONITORING POLICY (LIQUID MARKETS STRATEGIES)

A. Purpose

The purpose of this policy is to:

1. provide a disciplined, methodical process for determining whether to retain or terminate managers of liquid markets strategies due to poor relative performance, organizational or personnel issues, or other factors which reduce LACERS' conviction in the manager/strategy;
2. establish general guidelines for monitoring the effectiveness of implementing the liquid markets investment strategies for which the investment managers are retained;
3. provide a detailed framework and criteria for placing a manager "On Watch" status;
4. provide a systematic, consistent, and objective framework for recommending or electing to retain or terminate a manager.

LACERS' objective is to determine the likelihood of future success of the strategy; therefore, it is important that retention/termination decisions focus on qualitative aspects of each manager's investment philosophy, strategy and process, as well as quantitative assessment of past and current performance.

It is also important to consider that each manager's situation is unique, and must be analyzed on an individual basis, taking into account any unique circumstances affecting the manager and its relationship with LACERS.

Liquid market strategies are strategies where the securities are publicly traded on daily priced exchanges or via the bond auction markets and which are housed within separate account portfolios, mutual funds, or commingled/collective funds with at least monthly liquidity. For investment managers that are not classified as liquid, mainly Private Equity and Real Estate, separate policies have been set up in Section X and XI, respectively.

B. Monitoring and Evaluation

Investment managers will be monitored in the following areas:

1. Investment performance relative to a specific benchmark and an appropriate peer group;
2. Investment risk relative to specific benchmark and an appropriate peer group;
3. Performance per unit of risk relative to specific benchmark and an appropriate peer group (information ratio);
4. Adherence to the investment manager's philosophy, process, and stated investment style/strategy;
5. Organizational and personnel continuity;
6. Compliance with Investment Manager Guidelines and Investment Policy.

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LACERS' Staff and the General Fund Consultant will review and evaluate investment managers, quantitatively and qualitatively, using the following procedures:

1. Quarterly quantitative review of performance and risk relative to its specific benchmark and an appropriate peer group of active managers over various measurement periods (normally three to five years);
2. Quarterly review of portfolio characteristics, performance trends, style consistency, and risk expectations (standard deviation and tracking error);
3. Annual due diligence meeting at LACERS' office;
4. Conduct a due diligence meeting at least once during the contract period at the investment manager's office for actively managed mandates (unless significant organizational change warrants immediate evaluation) and at staff's discretion for passively managed mandates if there are no triggered factors in either Sections VIII.E or VIII.F;
5. More frequent, detailed and formal review of investment managers "On Watch" (see Section VIII.C below).

Following any evaluation, Staff and General Fund Consultant will determine whether an investment manager will be placed "On Watch". An active mandate manager will be placed "On Watch" if the investment manager either:

1. Fails to meet both quantitative factors as listed under the Active Mandates category of Section VIII.E for two consecutive quarters. Failure to meet only one of these factors will not warrant "On Watch" status; or
2. Experiences material organizational, personnel, or strategy changes that directly impact the product in which LACERS is invested, causing a breach of any one of the qualitative factors as listed in Section VIII.F

A passive mandate manager will be placed "On Watch" if the investment manager either:

1. Fails to meet the quantitative factor as listed under the Passive Mandates category of Section VIII.E; or
2. Experiences material organizational, personnel, or strategy changes that directly impact the product in which LACERS is invested, causing a breach of any one of the qualitative factors as listed in Section VIII.F

C. Managers "On Watch"

LACERS shall notify investment managers in writing of their status should they be placed "On Watch". Typically, "On Watch" status applies for one year from the initial placement date. However, the review period can be extended beyond the one year period based on the progress the investment manager is making such that the quantitative or qualitative factors listed in Section VIII.E and VIII.F are resolved.

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The Board is updated on a quarterly basis of all managers' performance, status, and "On Watch".

Managers "On Watch" will receive no additional funding from rebalancing, contributions or other sources. However, funds may be withdrawn for rebalancing or liquidity needs.

D. Newly-Hired Managers

Quantitative factors will be evaluated quarterly, but shall not cause a manager to be placed "On Watch" until three years or more after inception, unless the manager demonstrates performance that is materially inconsistent with expectations or experiences organizational issues.

E. Quantitative Factors

Factor	Trigger	Action
<p>ACTIVE MANDATES</p> <p>Annualized net performance relative to peer median performance for trailing <u>5- years</u></p>	<p>Underperforms (net of fees) trailing 5-year peer median performance¹</p>	<p>Place "On Watch" and notify manager, if both active mandate quantitative factors fail for two consecutive quarters</p>
<p>Moving average <u>net</u> Information Ratio for trailing <u>5-years</u></p>	<p>Trailing 5-year Information Ratio falls below 0.20¹</p>	<p>Place "On Watch" and notify manager, if both active mandate quantitative factors fail for two consecutive quarters</p>
<p>PASSIVE MANDATES</p> <p>Annualized <u>net</u> performance relative to its benchmark for trailing <u>1- year</u></p>	<p>Underperforms (net of fees) by more than 0.2%, excluding the impact of cash flows initiated by LACERS staff (e.g., cash withdrawals, monthly dividend sweeps)</p>	<p>Place "On Watch" and notify manager</p>

¹ For investment managers under contract with LACERS less than five years, a manager's pre-hire composite performance data may be combined with LACERS performance data to evaluate this factor, subject to the provisions of Section VIII.D

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F. Qualitative Factors

A significant and potentially adverse event related to, but not limited to, any of the following qualitative issues or events may result in placing the investment manager on the “On Watch” status or an immediate termination.

Criteria	Factor	Action
Organization	Change in firm ownership and/or structure	Place “On Watch”, if determined that change might detrimentally affect performance and strategy
	Loss of one or several key personnel, specifically personnel on LACERS portfolio product	Place “On Watch”, if determined the turnover will impair the firm’s investment capabilities
	Significant loss of clients and/or assets under management	Place “On Watch”, if there is a high client turnover and high volume of outflows
	Significant and persistent lack of responsiveness to LACERS requests	Place “On Watch”, if service deterioration inhibits ability to monitor
	Regulatory agencies’ investigation and/or material litigation	Place “On Watch”, if nature, seriousness, and likely impact of charges on the firm and investment product warrant
Strategy and Risk Control	Deviation from stated investment philosophy, style, process, and/or expected portfolio characteristics as described in the investment management guidelines (e.g., tracking error, market capitalization range, duration)	Place “On Watch” if deviation persists for more than 4 quarters. Terminate if no longer consistent with LACERS objective
	Risk management controls and procedures	Place “On Watch” for repeated guideline or policy violations

G. Courses of Action

After placing an investment manager “On Watch” status the following steps will be taken:

1. Staff will contact the investment manager and formally inform them of their status in writing. Notification shall indicate the reasons why the firm is “On Watch” and request the

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As of November 24, 2020

investment manager to explain and to provide plan of action to remove itself from “On Watch” status;

2. Staff and/or General Fund Consultant will meet with the investment manager, either in person or telephonically, following receipt of a written response from them;
3. Staff shall monitor the progress of the investment manager’s implementation of the plan of action;
4. After the initial one year period, Staff and General Fund Consultant shall determine whether to remove the manager from “On Watch” status or continue the “On Watch” status. Staff may recommend a manager termination subject to the Board’s approval.

If deemed necessary, the Board may request the investment manager to appear before the Board to explain the situation. Non-compliance with respect to the Board request shall be cause for an immediate termination recommendation by Staff to the Board.

H. Halting of Trading Activity

Investment managers may be required to halt trading activity by the Chief Investment Officer as soon as practicable due to unusual and significant operational risk factors that are deemed to have a material impact on the System; and, without immediate action taken by the Chief Investment Officer, could result in material harm or impairment to LACERS’ portfolio. Halting of the trading activity is subject to the concurrence of LACERS General Manager (or the acting designated Executive Officer or Assistant General Manager in the General Manager’s absence) and General Fund Consultant. The Chief Investment Officer shall report the action(s) at the next scheduled Board meeting. Authorization to resume trading activity by the Chief Investment Officer requires the concurrence of LACERS General Manager (or the acting designated Executive Officer or Assistant General Manager in the General Manager’s absence) and the General Fund Consultant.

I. Termination

The Board reserves the right to terminate an investment manager for any reason regardless of status. Grounds for investment manager termination may include, but are not limited to, the following reasons:

1. Failure to comply with the guidelines agreed upon for management of the Board’s portfolio, including holding restricted issues;
2. Failure to achieve performance objectives specified in the manager’s guidelines;
3. Significant deviation from the manager’s stated investment philosophy and/or process;
4. Loss of key personnel;
5. Evidence of illegal or unethical behavior by the investment management firm;
6. Lack of willingness to cooperate with reasonable requests by the Board for information, meetings or other material related to its portfolios;
7. Loss of confidence by the Board in the investment manager;

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8. A change in the System's asset allocation program, which necessitates a shift of assets to another sector.

The Board will carefully review any one of these factors; however, the presence of any one of these factors may not necessarily result in a termination.

Upon the Board's approval of termination, Staff will notify the investment manager in writing of the termination process and the date on which to cease all trading based on operational needs. Staff will keep the Board informed of the termination progress.

All of LACERS investment management contracts under the Manager Monitoring Policy (Liquid Markets Strategies) allow LACERS to terminate the manager, with or without cause, after 30 days' written notice

Section 3 MANAGER MONITORING POLICY (LIQUID MARKETS STRATEGIES)

VIII. MANAGER MONITORING POLICY (LIQUID MARKETS STRATEGIES)

A. Purpose

The purpose of this policy is to:

1. provide a disciplined, methodical process for determining whether to retain or terminate managers of liquid markets strategies due to poor relative performance, organizational or personnel issues, or other factors which reduce LACERS' conviction in the manager/strategy;
2. establish general guidelines for monitoring the effectiveness of implementing the liquid markets investment strategies for which the investment managers are retained;
3. provide a detailed framework and criteria for placing a manager "On Watch" status;
4. provide a systematic, consistent, and objective framework for recommending or electing to retain or terminate a manager.

LACERS' objective is to determine the likelihood of future success of the strategy; therefore, it is important that retention/termination decisions focus on qualitative aspects of each manager's investment philosophy, strategy and process, as well as quantitative assessment of past and current performance.

It is also important to consider that each manager's situation is unique, and must be analyzed on an individual basis, taking into account any unique circumstances affecting the manager and its relationship with LACERS.

Liquid market strategies are strategies where the securities are publicly traded on daily priced exchanges or via the bond auction markets and which are housed within separate account portfolios, mutual funds, or commingled/collective funds with at least monthly liquidity. For investment managers that are not classified as liquid, mainly Private Equity and Real Estate, separate policies have been set up in Section X and XI, respectively.

B. Monitoring and Evaluation

Investment managers will be monitored in the following areas:

1. Investment performance relative to a specific benchmark and an appropriate peer group;
2. Investment risk relative to specific benchmark and an appropriate peer group;
3. Performance per unit of risk relative to specific benchmark and an appropriate peer group (information ratio);
4. Adherence to the investment manager's philosophy, process, and stated investment style/strategy;
5. Organizational and personnel continuity;

Section 3 MANAGER MONITORING POLICY (LIQUID MARKETS STRATEGIES)

6. Compliance with Investment Manager Guidelines and Investment Policy.

LACERS' Staff and the General Fund Consultant will review and evaluate investment managers, quantitatively and qualitatively, using the following procedures:

1. Quarterly quantitative review of performance and risk relative to its specific benchmark and an appropriate peer group of active managers over various measurement periods (normally three to five years);
2. Quarterly review of portfolio characteristics, performance trends, style consistency, and risk expectations (standard deviation and tracking error);
3. Annual due diligence meeting at LACERS' office;
4. Every three years (generally) conduct due diligence meeting at the investment manager's office, unless significant organizational change warrants immediate evaluation;
5. More frequent, detailed and formal review of investment managers "On Watch" (see Section VIII.C below).

Following any evaluation, Staff and General Fund Consultant will determine whether the investment managers will be placed "On Watch" if it fails to meet two or more quantitative and/or qualitative factors as listed in Section VIII.E and VIII.F. However, in situations where there is organizational or personnel changes which directly impact the product in which LACERS is invested, no additional factors would be required to place the firm in "On Watch" status.

C. Managers "On Watch"

LACERS shall notify investment managers in writing of their status should they be placed "On Watch". Typically, "On Watch" status applies for one year from the initial placement date. However, the review period can be extended beyond the one year period based on the progress the investment manager is making such that the quantitative or qualitative factors listed in Section VIII.E and VIII.F are resolved.

The Board is updated on a quarterly basis of all managers' performance, status, and "On Watch".

Managers "On Watch" will receive no additional funding from rebalancing, contributions or other sources. However, funds may be withdrawn for rebalancing or liquidity needs.

D. Newly-Hired Managers

Quantitative factors will be evaluated quarterly, but shall not cause a manager to be placed "On Watch" until three years or more after inception, unless the manager demonstrates performance that is materially inconsistent with expectations or experiences organizational issues.

ARTICLE III. BOARD INVESTMENT POLICIES

Section 3 MANAGER MONITORING POLICY (LIQUID MARKETS STRATEGIES)

E. Quantitative Factors

Factor	Trigger	Action
Annualized <u>net</u> performance relative to its benchmark for trailing <u>3-years</u>	Underperforms (net of fees) in 8 of 12 previous quarters	Place “On Watch” and notify manager
Annualized <u>net</u> performance relative to its benchmark for trailing <u>5-years</u>	Underperforms (net of fees)	Place “On Watch” and notify manager
Moving average tracking error (TE) for <u>3-years</u>	Greater than two standard deviations from ‘Since inception’ mean TE ¹	Place “On Watch” and notify manager
Moving average tracking error (TE) for <u>5-years</u>	Greater than two standard deviations from ‘Since inception’ mean TE ²	Place “On Watch” and notify manager
Moving average <u>net</u> Information Ratio for trailing <u>5-years</u>	Falls below 0.20.	Place “On Watch”, if fails another quantitative factor
PASSIVE MANDATES Annualized <u>net</u> performance relative to its benchmark for trailing <u>1-year</u>	Underperforms (net of fees) by more than 0.2%.	Place “On Watch” and notify manager
Annualized average tracking error (TE) for 1-year	Greater than 1%	Place “On Watch” and notify manager

¹ Or over at least a 5-year period using pre-hire data if inception less than five years.

² Or over at least a 10-year period using pre-hire data if inception less than ten years.

ARTICLE III. BOARD INVESTMENT POLICIES

Section 3 MANAGER MONITORING POLICY (LIQUID MARKETS STRATEGIES)

F. Qualitative Factors

A significant and potentially adverse event related to, but not limited to, any of the following qualitative issues or events may result in placing the investment manager on the “On Watch” status or an immediate termination.

Criteria	Factor	Action
Organization	Change in firm ownership and/or structure	Place “On Watch”, if determined that change might detrimentally affect performance and strategy
	Loss of one or several key personnel, specifically personnel on LACERS portfolio product	Place “On Watch”, if determined the turnover will impair the firm’s investment capabilities
	Significant loss of clients and/or assets under management	Place “On Watch”, if there is a high client turnover and high volume of outflows
	Significant and persistent lack of responsiveness to LACERS requests	Place “On Watch”, if service deterioration inhibits ability to monitor
	Regulatory agencies’ investigation and/or material litigation	Place “On Watch”, if nature, seriousness, and likely impact of charges on the firm and investment product warrant
Strategy and Risk Control	Deviation from stated investment philosophy, style and process	Place “On Watch” if deviation persists for more than 4 quarters. Terminate if no longer consistent with LACERS objective
	Risk management controls and procedures	Place “On Watch” for repeated guideline or policy violations

G. Courses of Action

After placing an investment manager “On Watch” status the following steps will be taken:

1. Staff will contact the investment manager and formally inform them of their status in writing. Notification shall indicate the reasons why the firm is “On Watch” and request the investment manager to explain and to provide plan of action to remove itself from “On Watch” status;

ARTICLE III. BOARD INVESTMENT POLICIES

Section 3 MANAGER MONITORING POLICY (LIQUID MARKETS STRATEGIES)

2. Staff and/or General Fund Consultant will meet with the investment manager, either in person or telephonically, following receipt of a written response from them;
3. Staff shall monitor the progress of the investment manager's implementation of the plan of action;
4. After the initial one year period, Staff and General Fund Consultant shall determine whether to remove the manager from "On Watch" status or continue the "On Watch" status. Staff may recommend a manager termination subject to the Board's approval.

If deemed necessary, the Board may request the investment manager to appear before the Board to explain the situation. Non-compliance with respect to the Board request shall be cause for an immediate termination recommendation by Staff to the Board.

H. Halting of Trading Activity

Investment managers may be required to halt trading activity by the Chief Investment Officer as soon as practicable due to unusual and significant operational risk factors that are deemed to have a material impact on the System; and, without immediate action taken by the Chief Investment officer, could result in material harm or impairment to LACERS' portfolio. Halting of the trading activity is subject to the concurrence of LACERS General Manager and General Fund Consultant. The Chief Investment Officer shall report the action(s) at the next scheduled Board meeting. Authorization to resume trading activity by the Chief Investment Officer requires the concurrence of LACERS General Manager and the General Fund Consultant.

I. Termination

The Board reserves the right to terminate an investment manager for any reason regardless of status. Grounds for investment manager termination may include, but are not limited to, the following reasons:

1. Failure to comply with the guidelines agreed upon for management of the Board's portfolio, including holding restricted issues;
2. Failure to achieve performance objectives specified in the manager's guidelines;
3. Significant deviation from the manager's stated investment philosophy and/or process;
4. Loss of key personnel;
5. Evidence of illegal or unethical behavior by the investment management firm;
6. Lack of willingness to cooperate with reasonable requests by the Board for information, meetings or other material related to its portfolios;
7. Loss of confidence by the Board in the investment manager;
8. A change in the System's asset allocation program, which necessitates a shift of assets to another sector.

The Board will carefully review any one of these factors; however, the presence of any one of these factors may not necessarily result in a termination.

ARTICLE III. BOARD INVESTMENT POLICIES

Section 3 MANAGER MONITORING POLICY (LIQUID MARKETS STRATEGIES)

Upon the Board's approval of termination, Staff will notify the investment manager in writing of the termination process and the date on which to cease all trading based on operational needs. Staff will keep the Board informed of the termination progress.

All of LACERS investment management contracts under the Manager Monitoring Policy (Liquid Markets Strategies) allow LACERS to terminate the manager, with or without cause, after 30 days' written notice



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: NOVEMBER 24, 2020

ITEM: VIII – G

SUBJECT: PRI BOARD ELECTION AND BALLOT MEASURES AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board consider the Principles for Responsible Investment (PRI) 2020 Asset Owner Ballot, and cast votes for the following ballot items:

1. LACERS' preferred asset owner signatory representative candidate for the PRI Board;
2. Confirm the appointment of the PRI Chair;
3. Receive the PRI Annual Report and Accounts for year ended March 31, 2020; and
4. Approve the 2020 Signatory General Meeting (SGM) Minutes.

Executive Summary

As signatories of the PRI, LACERS may participate in the 2020 election, to include the vote for one PRI Board member, confirm the PRI Chair, receive the PRI Annual Report and Accounts, and approve the 2020 SGM Minutes.

Discussion

As a signatory, LACERS should participate actively in all areas of PRI governance. The PRI Articles aim to balance real delegation from signatories to the PRI Board and its fiduciary role, with accountability and effective mechanisms for signatories to escalate critical issues and influence the strategic direction of the PRI.

2020 PRI Board Election

Following the nominations received, there are five candidates competing for one open asset owner positions on the PRI Board.

- **Patricia Alejo**, Portfolio Manager, Pontificia Universidad Javeriana
- **Rafael Castro**, Executive Manager of Compliance and Internal Control, PREVI
- **Juan Camilo Osorio Londono**, Chairman of the Board, Afore Sura
- **Kamal Mitha**, Head Investments, Sasria

- **Renosi Mokate**, Chairperson, GEPF Board of Trustees, GEPF

Asset owner signatories are granted **one** vote each for the **one** open asset owner position.

The PRI Board should have the appropriate balance of skills, diversity, experience, independence and knowledge of the organisation to enable it to discharge its duties and responsibilities effectively. This necessary diversity encompasses a sufficient mix of relevant skills, competence, and diversity of perspectives. It may include but is not limited to: geographical diversity of signatory representation to bring regional knowledge and perspectives to the board; diversity of geographical origin, ethnicity, language and culture, and also gender diversity.

The PRI Board encourages the election of candidates with leadership and governance experience. The candidates statements (Attachment 1) highlight their demonstrated leadership within responsible investment, ESG expertise and other experience relevant to PRI's long-term success. Staff is available to assist the Board with regards to the qualifications of the five candidates during Board discussion on this item.

Confirm the appointment of the Chair

In July 2020, the PRI Board unanimously agreed to nominate the current PRI Chair, Martin Skancke, for a final three-year term from January 2021 to December 2023. The Chair's appointment is confirmed by the approval of a simple majority of signatories. The PRI Board is asking all signatories to confirm the reappointment of the Chair. Please see the link for Martin Skancke's video: <https://www.youtube.com/watch?v=CX6-EC8h2RQ&feature=youtu.be>

2020 Annual Report and Accounts

Signatories have the right to receive the annual accounts. The PRI must present to signatories at each Signatory General Meeting the Company's latest annual accounts, any required accompanying reports and the auditor's report.

The PRI Board is asking all signatories to receive and vote for the 2020 Annual Report and Accounts. The following link provides access to the report: <https://unpri.org/pri/about-the-pri/annual-report>

For reference, the PRI governance resources can be accessed through these respective links:

Financial Statements:

<https://www.unpri.org/annual-report-2020/how-we-work/more/financial-statements>

Board Report:

https://dwtyzx6upklss.cloudfront.net/Uploads/u/o/k/pri_sgm_boardreport_2020_227363.pdf

Audited Accounts:

https://dwtyzx6upklss.cloudfront.net/Uploads/m/d/n/priconsolidatedfinancialstatementsfortheyearended31march2020_487913.pdf

2020 Signatory General Meeting Minutes

Signatories have the right to approve the SGM minutes. All signatories have had the opportunity to attend the 2020 SGM either in-person or via webcast or listen to the meeting recording at a later date.

The PRI Board is asking all signatories to approve the 2020 SGM minutes (Attachment 2).

Staff Recommendation

Staff recommends that the Board cast one vote for a PRI Board member, approve confirmation for the appointment of the Chair, receive the 2020 Annual Report and Accounts, and approve the 2020 SGM.

Strategic Alignment

Voting in the PRI 2020 Ballot aligns with the goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Ellen Chen Investment Officer I, Investment Division

NMG/RJ/BF/EC:jp

Attachments: 1. PRI Board Candidate Statements
 2. PRI 2020 Signatory General Meeting Minutes

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY AND COMPARATIVE INFORMATION FORM

Name: Patricia Alejo

Title: Portfolio Manager

Signatory organisation: Pontificia Universidad Javeriana

Signatory organisation seconding your candidacy: Harvard University
Endowment



CANDIDATE STATEMENT

As part of my role as Portfolio Manager at Universidad Javeriana, I have had the opportunity to learn and combine my knowledge and expertise with my passions. I believe in the idea that a person is able to feel happy and fulfilled when he/she has these blessings: a job where he/she can develop his/her skills, and an employer whose corporate culture matches his/her beliefs and passions.

So, I must confess I feel blessed, because I have both: the knowledge I have accumulated along more than 20 year with my studies: BS in Finance, postgraduate in risk management, CAIA designation, CFA candidacy, and many multiple short programs, with the experience I have had in my jobs, and all the related lessons I've gotten from those.

But the real beauty of this, is that I have the opportunity to put all those ingredients together to the service of a wonderful employer: Universidad Javeriana, not just because it is an educational provider, it is because Javeriana is one of the best universities in Colombia and in the region, with a leading role in our society, which promotes diversity in all its forms, transparency and values to its students, professors and administrative staff. Universidad Javeriana represents the best of the best in every field it's involved with, and it is also a Latin American leader in the development of the Endowment Model, and in the implementation of the best practices, all of which I've had the privilege of being part of.

I feel very proud of my employer, my team and university leadership. I want to keep improving the processes and practices of our endowment, and I want the challenge to take it to a next level of management, with the support of the organization. In order to achieve it, we realized we need to take a more active position, and being part of the PRI Board is a great opportunity to do it, and I want the challenge to share my experience and to promote the best practices in the ESG implementation, across the investment process and manager selection procedures.

BIOGRAPHY

Patricia has been Portfolio Manager of Pontificia Universidad Javeriana for the last 9 years, and she has been leading the ESG efforts of the university endowment since 2019, when she got approved the Responsible Policy of the organization. Currently, Patricia heads the development of practices and implementation procedures of ESG factors in all the investment and due diligence processes.

Ms. Alejo's previous experience includes risk management at a multilateral institution focused in foreign reserves management for some Latin-American countries, and she also worked at the Colombian Ministry of Finance. Ms. Alejo holds a BS in Finance from Universidad Externado de Colombia, in Bogotá, plus postgraduate studies in Risk Management and executive education programs in New Zealand and Colombia.

Ms. Alejo's main areas of expertise have been risk and portfolio management, particularly in Alternative Investments. In addition, Patricia is member of the board of a nonprofit foundation and financial advisor of different organizations in Colombia. She has been invited as speaker at different industry events in Bogotá, Boston, New York, London, Mexico, Cayman Islands and Sao Paulo.

Ms. Alejo is a CAIA Charterholder, and a CFA Level III candidate.

SIGNATORY ORGANISATION INFORMATION

Pontificia Universidad Javeriana is a Jesuit school founded in 1623 in Bogotá and is Colombia's largest private University in terms of students, income and assets, as well as the one with the largest investment endowment, which is currently around US\$200 million.

The university's portfolio was formed in 2007 and since its inception, it has been inspired in the US endowment model as an investment program. The endowment portfolio is broadly diversified across geographies and asset classes, mindful of its perpetual investment horizon and its objective to grow over time.

Being a catholic school, and in line with our values and beliefs, the administrative staff proposed the idea to develop a Responsible Investment Policy, in order to express endowment's commitment to include ESG issues in its investment decision process. This document was presented and approved on August 2019, and it became the first step in the university's path to promote best practices, leading the trend in Colombia and Latin America. Following this, during the second quarter of 2020, the university applied and qualified to be a PRI signatory as an asset owner.

For that reason, and with the idea to contribute as a qualified and leading investor, Universidad Javeriana wants to have a very impactful role in PRI, representing the emerging markets, and promoting the use and implementation of the best practices in this field.

SPECIFIC EXPERTISE: LEADERSHIP AND GOVERNANCE EXPERIENCE

Patricia as Portfolio Manager and member of the Investment Committee of the endowment, has played a leading role in the design and implementation of the best practices in the investment process of the endowment, mainly inspired in her knowledge and education. Also, she has constructed a very diverse network from forums, events and meetings she has had with endowment investment teams, from some of the largest and most prestigious universities and foundations in the United States.

As a result, she has been considered a very well respected referent in the investment industry, and has been invited many times as a panellist and speaker in Colombia and over the world, talking about alternative investments, women leadership in the financial markets and recently, in ESG matters.

In addition, Ms. Alejo is member of the board of directors of a non-profit organization in Colombia, and member of its financial committee, with the specific role to be an advisor for the financial health and sustainability of the foundation.

As a CAIA charter holder, Patricia has promoted the designation in Colombia and in the region, being a host of the first educational event of CAIA in Bogotá, and also as part of a team which is working towards the creation of an Andean CAIA chapter.

GENERAL: DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI

Ms Alejo was designated by the university government as the leader of the ESG efforts it has been pursuing, being the direct contact with the PRI team. The reason for this goes well beyond her knowledge and expertise, and is focused on her desire to keep learning and adopting the best practices for our endowment management process. Patricia feels and has the responsibility to take the endowment to a next level, where it's driven by both our financial and our sustainability goals, which we're confident, will serve our current and future generations.

Her values and beliefs are based on the idea that financial performance is best accomplished if it includes sustainability matters. This combination allows for the alignment of value with values, which at the same time, have the potential of generating higher returns. For those reasons, and as part or the university's role as an educator, Patricia wants to take the challenge to lead and promote the implementation of responsible investment in the region, as a contribution to build a better financial industry and a much better society.

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY AND COMPARATIVE INFORMATION FORM

Name: Rafael Soares Ribeiro de Castro

Title: Executive Manager of Compliance and Internal Control

Signatory organisation: Previ – Caixa de Previdência dos Funcionários do Banco do Brasil

Signatory organisation seconding your candidacy: Fundação Real Grandeza, Brasilprev Seguros e Previdência S.A



CANDIDATE STATEMENT

My name is Rafael Castro and it is an honor to be a candidate in the PRI's Board elections.

As PREVI's Compliance and Internal Control Executive Manager, I am proud to represent an institution that was invited by the UN to participate in the PRI's creation in 2006 and was its first Latin American signatory. Ever since, PREVI has been actively contributing to the development of the PRI, locally and internationally.

As I detail below, I believe that the unique combination of my professional and academic backgrounds can be an asset to the implementation of the PRI's Blueprint of responsible investment considering mainly three aspects: a) PRI's growth in emerging markets; b) a responsible investment implementation practical knowledge and c) a collective engagement experience.

Firstly, as a global initiative, it is critical that the PRI Board understands the responsible investment challenges of the different parts of world. Currently, there is a low representation of emerging markets in the Board and I could bring fresh perspectives to existing debates and help the development and implementation of PRI strategies in those markets.

Secondly, PRI's impact will be a result of not only the design of responsible investment strategies but mainly of their implementation. Over the past 15 years, I have had first hand experience implementing the PRI principles in one of the largest pension funds in Latin America. In addition, I have participated in the implementation of the Brazilian network of signatories, organized responsible investment events, acted directly in the promotion of the Principles to potential new signatories, participated in panels of PRI events around the world and served as a delegate member of the Board of PRI, supporting the representation of PREVI in that Board. In sum, I have played a pioneering role in helping developing, promoting and implementing responsible investment not only at PREVI but in Latin America and beyond.

Thirdly, my involvement in national and international collective engagement initiatives will also help to develop the strategy of fostering a community of active owners.

Ever since its inception, I have always believed that PRI has to think globally but act locally. If offered the opportunity, I would be deeply committed to carrying out a leadership role among the emerging markets asset owners, engaging new potential signatories and stimulating the development of collective engagement initiatives, adding value to the development of more sustainable markets.

BIOGRAPHY

Rafael Castro is the Compliance and Internal Control Executive Manager of Previ. With over 25 years of experience, he has built an extensive and solid career at Banco do Brasil (one of the largest banks in the Americas), BB DTVM (a manager of assets exceeding \$ 250 billion) and Previ.

At Previ, Rafael was a senior analyst in the Real Estate Investments Management area and in the Capital Market Investment area, where he worked with Private Equity and Venture Capital.

After those positions, Rafael was a division manager in the Office of the Presidency, for 5 years, responsible for coordinating the strategic planning and sustainability process of Previ. In this period, Rafael was a delegate member of the PRI Board, a coordinator of the national commission of sustainability of ABRAPP (Brazilian Pension Fund Association) and a member of the Carbon Disclosure Project's Technical Advisory Council - South America.

Currently, Rafael leads Previ's Compliance and Internal Control department. This area is responsible, among other things, for the Anticorruption program, strengthening the entity's governance. Rafael is also the president of the current business integrity policy working group of the Brazilian network of PRI signatories and a member of the governance regional technical commission of ABRAPP.

Rafael Castro has a LL.B. degree at the Federal University of Rio de Janeiro (Brazil), a Postgraduate Diploma in Real State Management at PUC – Rio (Brazil), a Postgraduate Certificate in Sustainable Business at the University of Cambridge (UK) and a MSc in Tourism Management at the University of Surrey (UK).

SIGNATORY ORGANISATION INFORMATION

Created in 1904, even before the Official Pension Plan of Brazil, PREVI - Banco do Brasil's Employees Pension Fund is among the largest pension funds in Latin America. It has nearly 200,000 participants and more than US\$ 40 billion under management.

PREVI is a closed pension entity and its participants are employees of Banco do Brasil and its own employees. The Institution works to guarantee these participants social security benefits

complementary to those of the Official Pension Plan, in order to contribute to the quality of life of members and their dependents.

PREVI's resources come essentially from personal and employer contributions. These funds are invested in a diversified manner, in accordance with the Investment Policy, which is reviewed annually in a judicious manner, according to the need of each Benefit Plan.

Being a PRI signatory since 2006, PREVI included RI criteria in its investment policy and practices involving all its different asset classes. Recently, PREVI was recognized in the OECD Annual Survey of Large Pension Funds by its interaction with its invested companies to promote strong systems of corporate governance, social and environmental responsibility.

SPECIFIC EXPERTISE

LEADERSHIP AND GOVERNANCE EXPERIENCE

A pioneer and today a reference in Brazil when it comes to responsible investment, Rafael leads Previ's anticorruption policy and strategy. This specific work, produced as a result of his researches at the University of Cambridge, is strongly related to Previ's main sustainability strategy as it creates actions to disseminate / stimulate ethical behavior, anticorruption processes and fraud detection instruments in Previ's own practices and in its relations with its stakeholders (including the companies in which PREVI invests, i.e. some of the most important companies in Brazil).

Rafael has been participating in the integrity working group of the Ethos Institute in Brazil, the anticorruption working group of the Global Compact local network and the governance regional commission of ABRAPP. He also leads an integrity initiative in the PRI Brazilian network of signatories.

In his managerial positions at Previ, Rafael has been responsible for leading different teams and projects for the past 13 years.

GENERAL

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI

Rafael Castro has a large experience in leadership and governance within Responsible Investment. Rafael was a coordinator of the national technical sustainability commission of ABRAPP (Brazilian

Pension Fund Association), a member of the Technical Advisory Council of the Carbon Disclosure Project - South America and participated directly in the implementation of PRI's Brazilian Network of Signatories (the first regional network and a reference to the implementation of networks in other parts of the world). He also served as a delegate member of the Board of PRI, supporting the representation of PREVI in that Board.

Rafael Castro taught socio-environmental responsibility in postgraduate courses (MBA) at FGV-RJ (a leading university in Brazil) and at the Brazilian Bar Association (OAB) Higher School of Law. He has been a speaker at several seminars and conferences in Brazil, South Africa, USA, and France, just to name a few (including PRI in Person events) and has led collective engagement initiatives.

In PREVI he was responsible to coordinate the development of its sustainability policy and coordinated the process to implement the PREVI's annual report using the GRI reference in 2009.

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY AND COMPARATIVE INFORMATION FORM

Name: Juan Camilo Osorio Londoño

Title: Chairman of the Board

Signatory organisation: AFORE Sura Mexico

Signatory organisation seconding your candidacy: AFP Porvenir



CANDIDATE STATEMENT

I am the CIO and Head of the Pension Business at Sura Asset Management, one of the largest pension fund administrators in Latin America, managing around usd \$130 billion.

In this role, I serve as Board Member for AFP Proteccion in Colombia, AFP integra in Peru and I also serve as Chairman of the Board for Afore Sura in Mexico. In addition, I sit at the Investment Committees for Afore Sura in Mexico, AFP Integra in Peru, AFP Capital in Chile and I Chair the Investment Committee in Proteccion, Colombia.

I have ample experience in managing pension funds and I would like to share that, along this journey, I have realized the important role institutional investors play on sustainability issues. Through the use of capital, investors could help drive a more sustainable world. Most of the future is financed at the end by the institutional investors and not all of us are yet aware of this situation. Applying a set of common principles to the investments today is key to shape a sustainable future and the PRI are widely known and simple enough to become the common ground for sustainable investments among investors worldwide. That is exactly where I see a great opportunity for PRI.

I personally see an occasion to contribute to the cause by helping PRI reach all institutional investors and becoming the platform for common knowledge about sustainable investments. We face larger challenges than those of Covid19 with climate change and its social implications, so we must act with a sense of urgency and, since I like to take on important challenges, there is no better time to serve in the board of PRI than this and contribute in a way such that all investments would be sustainable in the near future. This is in summary my motivation to offer my candidacy to be considered in the Board of Directors. Rest assure I will give my best and I thank you for considering a candidate from emerging markets.

BIOGRAPHY

I studied civil engineering and worked in infrastructure projects to then connect with investments working for the newly created pension funds in Colombia and since then I have dedicated my career to the science of investments and the art of portfolio management. I hold a M.A. in Project Management and a M.S. in Financial Engineering from CGU-Peter Drucker School of Management.

In 2006 I got to be CIO for the first time. I realized that millions of people's pensions depended on us doing our work at the best. Since then, I have been working for that purpose and in 2012, I became CIO for all Sura-AM operations and in 2019 I was appointed as Head of the Pension Business for Latam and now I have the privilege to impact many more people.

I have a particular interest for leadership topics and I have devoted time, practicing and nurturing my career with the best on the field and I have made a number of courses and formal programs on the subject. Perhaps one of the most interesting experiences is the "Leadership at the Peak" from the Center for Creative Leadership in the US, which I did in 2014.

I am now in a stage where I would like to contribute and that is exactly the way I see the opportunity to serve at the PRI board. Should I become a Board Member, this would be a period for contributing from one of the most impactful sides: sustainable investments. During the past decade, I have placed a special effort in this field, especially on climate change issues. I have participated at the COP25, I have been a speaker at different events, participated in the Sustainable Innovation Forums and lead our Company and Subsidiaries to become part of the PDC and the PRI.

SIGNATORY ORGANISATION INFORMATION

In 1997, a new retirement system was created in Mexico and it allowed private companies to participate by administering the investments of the pension funds. Afores were created and our company was established under the name ING Afore. Ten years later, Santander acquired it, merged it with Afore Santander and it became the third largest pension fund in Mexico. Later on, at the end of year 2011, Grupo Sura acquires ING pension funds and other operations in Latin America, and the company becomes Afore Sura. Over these years, it has consolidated a leader position in the Mexican industry of pension funds, not only for providing top returns but also one of the highest service levels for all clients.

SPECIFIC EXPERTISE:

LEADERSHIP AND GOVERNANCE EXPERIENCE

As described above, I have developed a leadership career. Specific achievements in chronologic order are as follows:

1993: as a very young professional, I was appointed Director for the Special Projects Office. Around 150 people under my supervision, directly and indirectly.

2000: I was appointed Head of International Investments for the pension fund manager in Colombia.

2004: I became Head of Asset Allocation and Quantitative Investments for the pension fund manager in Colombia.

2006: I was appointed CIO for the Pension Fund in Colombia.

2012: I was appointed Executive Vice President and acting CEO for the one of the pension fund managers in Colombia. I was also appointed CIO for all operations and all countries in Sura Asset Management.

2017: I was appointed as Chairman of the Board for Afore Sura in Mexico.

2019: I was appointed as Head of the Pension Business for all Countries in Sura Asset Management and continue to be the CIO for all operations in the Company (Pension Funds, Wealth Management and Investment Management)

Over these years, I have served in the Board of Directors of the following organizations: AFP Proteccion in Colombia, Afore Sura in Mexico, Sura Asset Management Mexico, Sura Pensions in Mexico, Sura Investment Management Mexico, Sura Life Insurance Mexico, AGF Sura Chile, Sura Life Insurance Chile, Sura Asset Management Chile, AFP Integra in Peru, Sura Asset Management Peru.

I also serve at the Investment Committees for AFP Proteccion in Colombia, Afore Sura in Mexico, AFP Integra in Peru, AFP Capital in Chile; Auditing Committee for Afore Sura in Mexico, Risk Management and Compliance Committee for AFP Integra in Peru and I am member of the Executive Committee of Sura Asset Management.

GENERAL:

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI

Several years ago, during one of the Amundi's World Investment Forums in Paris, I met Olivier Rousseau from FRR. He explained me their initiative about portfolios decarbonization and it was my first realization of climate change and the impact it has on investments, pensions and life. I started researching the topic and since then, I have raised awareness about ESG issues, within our organization and the industries where we participate, with focus on climate change and how environmental always becomes a social issue impacting communities. I have also participated in making our voice clear when there are governance issues with our investments and engaged with companies to motivate improvements. At our organization, I have become the speaker person in climate change issues and as mentioned, I have led the integration of ESG into our investment processes at all operations, I have led the decarbonization initiatives, I led the participation in the PDC and I led the initiative to become signatories of the PRI.

Finally, I would like to state that climate change issues are very serious, and not all institutional investors are fully aware of it nor are they doing something about it, especially in America. Covid19 has everyone in a contingency state and perhaps all this could be seen as preparation for the collective type of mindset we will require to adequately deal with climate change and its consequences. Not only investments and pensions, but also lives of all people will be greatly affected by climate change in the coming decade and until march, very few believed that something could happen in such a manner that affected the lives of all. Covid19 may just be a training and we all should be able to capitalize on the experience and prepare for what is yet to come.

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY AND COMPARATIVE INFORMATION FORM

Name: Kamal Mitha

Title: Head Investments

Signatory organisation: Sasria

Signatory organisation seconding your candidacy: Old Mutual



CANDIDATE STATEMENT

I believe that any investment strategy should incorporate elements of financial return as well as social impact. By encouraging this advancement, companies can improve the welfare of communities and our environment. While following this investment strategy, companies can achieve a Return on investment and promote societal accountability. Investing for the benefit for society holds companies to a higher ethical standard. Incorporating ESG metrics into your decision making has shown to deliver superior returns over time as these companies are more sustainable over the long term.

I believe that my experience combined with my education will place me in good stead and make me the ideal candidate for this role. I believe I can make a difference in the area of responsible investing for the betterment of society.

BIOGRAPHY

Kamal Mitha is the Head of investments at Sasria.

Kamal has been with Sasria since October 2018. He began his investment career in 2007 within the unit trust industry. In 2008 he worked for Advantage Asset managers, managing the investment administration back office. In 2009 he joined Africa's largest asset manager, The Public Investment Corporation as a Senior Investment Officer. In 2012 he was promoted to the Portfolio Management and Valuations team where he managed assets close to \$20bn. In 2018 he joined Sasria as the Head of investments taking responsibility of the investment function.

Mr. Mitha is a CFA and a CAIA charterholder. He earned his Bachelor of Commerce degree from Nelson Mandela Metropolitan University and his Master of Business Administration from the University of Witwatersrand.

SIGNATORY ORGANISATION INFORMATION

The 1976 uprisings by courageous young people in Soweto turned the course of history and played a significant role in the creation of Sasria.

The government of the day and the South African Insurance Association (SAIA) needed to provide insurance cover against political riots and politically motivated mass action. The South African Special Risks Insurance Association (abbreviated SASRIA) was formed in 1979 as a section 21 non-profit company with a legislated monopoly.

At the time, it was exempted from paying tax and its members were South African short-term insurance companies. Sasria offered cover on the basis that it would not refuse cover or cancel the cover, making the South African government the reinsurer of last resort with unlimited liability. Rates were originally high in order to build up reserves and reflect the high risk at that time. In 1998, the mandate was extended for our cover to include nonpolitical perils, such as strikes and labour disturbances. Sasria was converted to a limited company in terms of the Sasria Act. Sasria is now a transformed entity and the special risk short-term insurer of choice for all individuals, businesses and government institutions looking for extraordinary cover of their assets within the borders of South Africa and includes civil commotion, public disorder, strikes, riots and terrorism cover. Sasria works through a network of insurance companies and brokers who perform an administration function on their behalf and sell their products.

Sasria contributes to the economic sustainability and growth of South Africa. They protect assets against extraordinary risk by offering affordable insurance protection, thereby ensuring that South Africa continues to be an attractive investment destination that delivers economic continuity and social stability for all its people, entities or businesses. Sasria adheres to the highest standards of corporate governance, thereby growing a sustainable business that contributes positively to South Africa's economy.

SPECIFIC EXPERTISE:

LEADERSHIP AND GOVERNANCE EXPERIENCE

- Member of the Valuations Committee providing input into Valuations, impairments and once a year independent valuations
- Becoming an Investment Committee member of a healthcare fund within South Africa. Held the position from October 2014 to October 2018. Responsibilities included:
 - Directing investment decisions for a R1.6 billion fund
 - Maintaining the prudent and effective investments of the fund and formulating and
 - Overseeing the investment policies and management of the fund
- Deputy Chair of the Investment Steering Committee which is a subcommittee of the Investment Committee. Member of the Investment Committee within Sasria
- Maintaining the Investment Policy within Sasria

GENERAL:

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI

- Incorporating ESG factors within our portfolio management reporting
- Incorporating ESG within the investment decision making process
- Creating ESG dashboards within the infrastructure sector to improve reporting
- UNPRI signatory for Sasria
- Implementing the investment strategy of Sasria

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY AND COMPARATIVE INFORMATION FORM

Name: Dr Renosi Denise Mokate

Title: Chairperson: Government Employees Pension Fund Board of Trustees

Signatory organisation: Government Employees Pension Fund

Signatory organisation seconding your candidacy: Eskom Pension and Provident Fund



CANDIDATE STATEMENT

I have extensive corporate governance, leadership and management experience having served on public, private and non-profit sectors boards. I have also held senior executive management positions. I am currently an Executive Director of Concentric Alliance a conflict resolution and development advisory practice. I was previously the Executive Dean and CEO, Graduate School of Business Leadership, University of South Africa, and have served as Executive Director, World Bank, representing Angola, Nigeria and South Africa, and as Deputy Governor, South African Reserve Bank. I have put this experience to effective use during my term as a member of the PRI Board.

I have been the Chairperson of the Government Employees Pension Fund, which is a founder member of the PRI of South Africa, since 2014. The GEPF plays a critical role in promoting the UN Principles for Responsible Investing, through its own work and by participating in the PRI's work in South Africa. It also promotes responsible investing through involvement in regional institutional investor forums. In my role as a Board member of the PRI and Chairperson of the GEPF, I have promoted and supported this work through my personal involvement and that of the GEPF as an institution.

I have gained significant additional knowledge and experience on ESG matters during my two tenures as a PRI Board member whilst also bringing in regional, emerging market and developmental perspectives. I wish to continue contributing towards increasing the PRI's reach in South Africa and other African countries, ensuring that its work is remains relevant and adds value to signatories. Given the African continent's long-term development challenges, the adoption of the Principles for Responsible Investing will help achieve long-term sustainability. In 2018, the GEPF initiated an annual Thought Leadership Conference that provides a platform for knowledge sharing and stimulating dialogue on the key issues that the pension fund industry faces globally. Participants include pension funds, investors, and policy makers. Emphasis is placed on participants from African pension funds sharing knowledge on ESG practices, partnering with the PRI.

The GEPF has developed and implemented policies to support its ESG goals. These are regularly updated to incorporate best practice and adherence to them monitored, by the Investment Committee, which I chair. They include:

- Investment Beliefs
- Investment Policy Statement
- Responsible Investment Policy
- Developmental Investment Policy
- Proxy Voting Policy
- Key Development Indicators

Given my personal experience and the GEPF's commitment to promoting the PRI's work, I am well positioned to further contribute to the PRI's work and development.

BIOGRAPHY

Dr Renosi Mokate is the Executive Chairperson of Concentric Alliance, a conflict resolution and development advisory practice, which promotes sustainable institutional relationships and business practices. She is the former Executive Dean of the Graduate School of Business Leadership, University of South Africa, Executive Director of the World Bank Group, representing Angola, Nigeria and South Africa. She has served as Deputy Governor of the South African Reserve Bank and during which she chaired the South African Bank Note Company and the SA Mint Company Her experience at senior executive level spans 20 years.

Dr Mokate has corporate governance experience spanning 25 years serving on public and private sector boards and advisory councils. She is the Chairperson of the Government Employees Pension Fund and of the Pan African Infrastructure Fund. She is a member of the Presidential Economic Advisory Council of South Africa and serves on the Board of Advisors, Joseph R Biden School of Public Policy and Administration, University of Delaware. She has been a board member of the Principles for Responsible Investment Association since 2015.

Dr Mokate has been the Chairperson of the Government Employees Pension Fund, since 2014. She has ensured that Environmental, Social and Governance (ESG) issues become a central part of the GEPF's investment beliefs, and investment policy, and that the capacity of the Fund to oversee and monitor the integration of ESG principles is strengthened. She initiated the Annual Thought Leadership Conference hosted by the GEPF as a platform for knowledge sharing amongst African and other pension funds, investors and policy makers globally. ESG issues constitute an important component of the conference dialogue.

She holds a PhD ('86) and MA ('83) from the University of Delaware, Newark, Delaware and a BA ('81) from Lincoln University, Pennsylvania. She specialises in Development Economics, Urban Economics and Policy Analysis.

SIGNATORY ORGANISATION INFORMATION

The GEPF is a defined benefit fund that serves the retirement interest of 1 265 421 active members and 463 138 beneficiaries that receive a monthly annuity from the Fund. The Board of Trustees is the executive authority of the Fund and consists of 16 board members. The employer and employees are equally represented on the Board.

The main duty of the Board is to provide for financial security for the GEPF's members and pensioners by ensuring that all funds are responsibly invested and accounted for and that benefits are paid out efficiently, accurately and on time. The Board has outsourced the administration of the Fund to the Government Pensions Administration Agency and the relationship is governed by a formal Administration Agreement and Service Level Agreement. The investment function is outsourced to the Public Investment Corporation and a formal mandate governs this relationship.

The Fund's total asset value at the end of the financial year 31 March 2019 reached an all-time high of R1.8 trillion. The GEPF is currently 100% funded as per the last actuarial valuation that was conducted as at 31 March 2018.

The investment strategy of the GEPF is designed taking into consideration the liabilities and other long-term obligations which the Fund has to meet. Investments are diversified into several asset classes in accordance with the risk profile of the Fund. The Fund's strategic asset allocation is determined through modelling the Fund's assets and liabilities into the future, and establishing the asset class structure that offers the highest probability of meeting the Fund's current and future liabilities.

The allocation of the Fund between the different asset classes is set out in the table below.

Asset class	Strategic asset allocation	Asset allocation range
<i>South African assets</i>		
Cash and money markets	4%	0–8%
Domestic bonds	33%	26–36%
Domestic property	5%	3–7%
Domestic equity	50%	45–55%
Africa equity	2%	0–3%
Africa bonds	1%	0–2%
<i>Global assets</i>		
Global bonds	2%	0–4%
Global equity	3%	1–5%

SPECIFIC EXPERTISE:

LEADERSHIP AND GOVERNANCE EXPERIENCE

Name of Company/Entity/Fund	Leadership and Governance Experience	Type of Business
GEPF	Chairperson: Board of Trustees Chairperson: Investment Committee	Pension Fund UN PRI founding signatory
Pan African Infrastructure Development Fund (PAIDF)	Chairperson: Board of Trustees	Infrastructure Fund
Vukile Property Fund	Non-Executive Director Member: Audit Committee; Social, Ethics and Remuneration Committee	Property
Bidvest Bank Holdings and Bank	Non-Executive Director Chairperson: Remuneration Committee Member: Audit Committee; Nominations and Governance Committee	Bank
Bidvest Group	Non-Executive Director Member: Audit Committee; Nominations and Governance Committee	Services, Trading and Distribution
V & A Waterfront Board	Non-Executive Director Chairperson: Audit Committee Member: Social and Ethics Committee	Property
UNPRI	Non-Executive Director Chairperson: Remuneration Committee	Non-profit
Concentric Alliance	Executive Chairperson	Consulting

GENERAL:

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI

As Chairperson of the GEPF for the past six year, I have been at the helm of an institution which is a founding signatory to the UN PRI. It is a substantial fund within the South African market and takes account of its wider impact on the broader South African society when making investments. The Fund believes that integrating Environmental, Social and Governance (ESG) factors into investment decisions promotes the long-term value of the GEPF's investments and is in the interest of its members.

GEPFs responsible investment mandate is aligned to its own investment beliefs and to South Africa's National Frameworks on development such as the Code for Responsible Investing (CRISA), the Government's New Growth Path and the National Development Plan, in addition to other global responsible investing and development objectives. As a signatory to the United Nations Principle for Responsible Investment (UN PRI), a leading proponent for responsible investment, the GEPF is also supportive of the United Nations Sustainable Development Goals (SDGs), a set of 17 goals aimed at ending poverty, fighting inequality and injustice, and tackling climate change by 2030. This ensures that responsible investment is a consideration across all asset classes.

In line with international best practice, the GEPF has adopted a set of investment belief statements, which reflect the Fund's investment philosophy and approach. The investment beliefs serve as guiding principles, which the GEPF and its asset managers apply in their investment decision making. The GEPF's Board of Trustees recognised the need to formulate clear views on the functioning of investment markets, and how the application of these views can ultimately add value to the Fund's members. The investment beliefs also express the Fund's role in society and its responsibility to its stakeholders.

PRINCIPLES FOR RESPONSIBLE INVESTMENT 2020 SIGNATORY GENERAL MEETING MINUTES

21 OCTOBER 2020, 09:00 – 10:30 CEST AND 18:00 – 19:30 CEST

Online webcast

The PRI sought input from signatories on the Signatory General Meeting (SGM) draft agenda and invited signatories to contribute agenda items and resolutions to be put to a vote. No agenda items or resolutions were received. All signatories were sent the PRI's 2020 Annual Report¹ in advance of the meeting.

In attendance:

- Fiona Reynolds, PRI CEO
- Martin Skancke, PRI Board Chair (meeting Chair)
- 480+ signatory representatives attended via online webcast

Materials:

- [SGM presentation](#)

MESSAGE FROM THE CHAIR

The PRI Chair, Martin Skancke, welcomed signatories attending via webcast. The Chair acknowledged that PRI was hoping to greet its signatories in Tokyo for the PRI in Person conference this year, which did not happen due to the continuing impact of COVID-19 and therefore the SGM is virtual. The Chair emphasised that the SGM is an important opportunity to connect with PRI signatories and report what has been achieved in past, but also report the plans for the future.

The Chair will be presenting on the behalf of the PRI Board and would like to use this opportunity to present the work undertaken by the board during the last year. The Chair provided an overview of the SGM agenda.

In 2016, the PRI had a 10-year anniversary where the PRI strived to look forward to think about the next 10 years. In close consultation with the signatories, the PRI developed the Blueprint for Responsible Investment². The Blueprint is a long-term strategic plan which sets out our ambitions for responsible investment. The Blueprint is the foundation of the three-year strategy plan. The board has spent a considerable amount of time in developing the draft strategy over the past year. The Chair

¹ <https://www.unpri.org/pri/about-the-pri/annual-report>

² <https://www.unpri.org/pri/a-blueprint-for-responsible-investment>

stressed that the PRI's primary responsibility is to advance its mission and provide value to its signatories. The PRI is releasing the three-year draft strategy³ and is seeking signatory feedback to ensure that our priorities are guided by signatories, so the work PRI undertakes stays relevant and useful.

One important element of our work is reporting and accountability. The PRI has undertaken a significant reform of the Reporting & Assessment Framework, which signatories will notice when completing the annual reporting for 2021. There was considerable signatory involvement in the reform process. The Reporting & Assessment Framework is important for several reasons: it provides a framework for signatories to learn and benchmark; it is the largest database of responsible investment practices; it enables increased accountability. The 2021 reporting will be a pilot year, due to a large overhaul of the framework. The aim was to make it simpler to use, but at the same time make it more challenging and to raise standards across the board.

This year has been different for many of us and the PRI has also been affected by COVID-19. The PRI adapted to new ways of working. The role of the board has been to oversee this change and ensure that PRI continues to deliver signatory value in these difficult times. The PRI is seeking to use technology to bring the PRI closer to its signatories.

MANAGEMENT AND FINANCIAL REPORT

Fiona Reynolds, CEO, presented the management and financial report for the 2019-20 financial year.

Fiona Reynolds welcomed signatories dialling in from all around the world to the first-ever virtual SGM. We are grateful to be able to share this annual update on our activities to show how we are progressing against the 10-year Blueprint over the last financial year and discuss our plans for the next three-year strategy.

The PRI continues to see strong growth. In 2019/20 we welcomed 665 new signatories, including 86 new asset owners. This 28% growth rate is the highest increase the PRI ever had, up from 22% last year, showcasing that responsible investment is on the move. As of March 31, 2020, the PRI had 3,038 signatories representing over USD \$103 trillion AUM. The growth has been strong across the globe both in emerging and developed markets. Latin America saw the most prominent increase of 90%. To support the growing signatory base, PRI staff has also increased to over 140 staff, based in 15 countries.

Last year's PRI in Person in Paris was the largest responsible investment event ever, bringing together 1,800 delegates from 830 organisations and 54 countries. Despite limitations on in-person meetings in the latter part of the year, the PRI signatory base has never been more engaged. This year 850 signatories attended relationship meetings, regional forums convened 578 signatories, over 529 signatories participated in 32 advisory committees and working groups, and increasingly

³ https://dwtyzx6upklss.cloudfront.net/Uploads/c/y/t/pri_strategic_plan_202124_consultation_paper_90157.pdf

signatories are using the recently launched collaboration platform⁴. PRI signatories are active and engaged across the initiative.

As our staff and signatory numbers have grown, the finances have also increased to support our activities. The headline figures are that: total income grew to £19.7m, up from £14.7m in 2017/18; total expenditure grew to £18.0m, up from £14.2m in 2017/18; and there was a surplus of just over £1.8m. Despite the challenges of the pandemic, the PRI remains in a strong position. The PRI will continue to hold a minimum of three months of full operating expenses which is in line with the PRI reserves policy. The financial statements are in the annual report. The PRI's corporate structure remains unchanged from last year. The group comprises seven entities and PRI Association is the ultimate holding company.

The PRI's mission is to bring together responsible investors to develop sustainable markets that contributes to a prosperous world for all.

The PRI has seven current 'flagship' projects:

- A Legal Framework for Impact
- Climate Action (100+, COP26, Inevitable Policy Response)
- ESG in Credit Risk and Ratings
- European Technical Expert Group on Sustainable Finance – Taxonomy
- Human Rights and Modern Slavery
- Manager Selection, Appointment and Monitoring
- Sustainable Development Goals

Throughout the year, PRI supported signatories on priority ESG issues, and delivered publications and tools for investment managers and asset owners. The theory of change at the PRI is that a rising tide lifts all boats. Hence to advance responsible investment and to fulfil our mission, we must bring everybody along on this journey with us. The PRI seeks to support all of its signatories regardless of depth of knowledge on responsible investment, size or stage of ESG incorporation. One of the key pieces of work the PRI delivered was a series of short reports providing an introduction to the main approaches to responsible investment, for those at the beginning of their journey.

The PRI is supporting investors by increasing depth of insight across asset classes; leading awareness and response to existing and emerging ESG issues. A few highlights include ESG in Credit Risk and Ratings programme⁵, Technical guide on responsible investment in the hedge fund industry⁶, and case studies on passive investment strategies⁷.

The PRI is seeking to empower its signatories to exercise investor rights and last year the PRI launched active ownership 2.0⁸. The PRI coordinated collaborative engagements to help maximise

⁴ <https://collaborate.unpri.org/>

⁵ <https://www.unpri.org/credit-ratings>

⁶ <https://www.unpri.org/hedge-funds/technical-guide-esg-incorporation-in-hedge-funds/5729.article>

⁷ <https://www.unpri.org/investment-tools/passive-investments>

⁸ <https://www.unpri.org/download?ac=9721#:~:text=Active%20Ownership%202.0%20is%20a.and%20effort%20over%20narrow%20interests.>

investors' collective impact. Through acting in concert guides, PRI is aiming to help address concerns in markets about collaborative engagements, working with law firms to clarify where barriers do or do not exist.

One ongoing engagement to highlight is the Global Tailings Review that is led by signatories John Howchin, Council on Ethics Swedish National Pension Funds, and Adam Matthews, Church of England Pensions Board. The PRI co-convened the global tailings review alongside United Nations Environment Programme (UNEP) and International Council on Mining and Metals (ICMM). The review has led to the development of the first standard that can be applied to existing and future tailings facilities around the world. Fiona Reynolds thanked John Howchin and Adam Matthews for their leadership. This demonstrates active ownership 2.0 in action, where investors are using their leverage to bring change.

Despite COVID-19, the number one ESG issue continues to be climate change. Therefore, the PRI has continued to expand the work in this area and championed climate action in a variety of ways. There is a substantial increase in signatories acting on climate change with 85% of asset owners and 81% of investment managers factoring climate-related risks and opportunities into their investment strategies or products. The PRI's major initiatives seeking to support investors in taking action against climate change include; the Inevitable Policy Response, the Task Force on Climate-related Financial Disclosures (TCFD), the UN Climate Change Conference UK 2020, The Investor Agenda, Climate Action 100+, and the Net-Zero Asset Owner Alliance. In September 2019, the PRI launched the Net-Zero Asset Owner Alliance with United Nations Environment Programme Finance Initiative (UNEP FI). Currently, 30 asset owners are committed to net-zero across their entire portfolio by 2050. This is ground-breaking work, which hasn't been done before.

The PRI made reporting on a subset of TCFD based PRI climate reporting indicators mandatory to drive forward TCFD implementation. 2,097 investors reported on TCFD indicators in 2020, representing USD \$97 trillion in AUM. In the next reporting cycle, the mandatory TCFD based questions will be publicly disclosed and privately assessed. Making TCFD indicators mandatory is one part of the wider initiative to increase signatory accountability.

The PRI introduced the first set of minimum requirements in 2018. Signatories who do not meet the minimum requirements enter a two-year engagement period where the PRI provides support and resources to help them make necessary changes to policies and practices. Largely the engagements has been very successful. In 2018, the PRI engaged with 121 signatories of which 69% met the minimum requirements in 2019. In 2019, the PRI engaged with 123 signatories of which 83% met the minimum requirements in 2020. This year the first set of signatories has reached the end of this process and 5 signatories were delisted for not meeting the minimum requirements. The PRI aims to encourage signatories to move forward in their responsible investment practices. However, the PRI needs to take action if signatories are not meeting the minimum requirements.

This year the PRI has completed an extensive signatory consultation on Reporting & Assessment. It published a detailed proposal of what the new Reporting Framework, assessment and outputs would look like. Over 580 signatories participated in the consultation. The signatory feedback provided

valuable insight into the strength of the current Reporting & Assessment process and where improvements could be made. The pilot launch of the new framework is scheduled for early 2021.

Whilst the PRI seeks to increase accountability, it is also important to showcase leadership. Therefore, the PRI has developed a leaders' group to recognise signatories that are already implementing best practice. Each year the leaders' group focuses on a new topic from the Blueprint. This year it focuses on climate reporting against the indicators in the PRI Reporting Framework. Signatories are encouraged to visit the leaders group page⁹ to find out more. The PRI awards¹⁰ highlight innovation and impact amongst signatories. This year's winning projects were selected by an independent judging panel. Fiona Reynolds congratulated 2020 leaders' group and all of the award winners.

It would be difficult to achieve the PRI's mission without addressing systemic obstacles. As part of the global policy engagement programme, the PRI continues to engage with policymakers around the world, with a focus on the European Union, China, US, and UK. The PRI prepared 11 briefings and submitted 34 consultation responses last year. Fiona Reynolds thanked signatories and stakeholders for their continuous support and commitment to advancing the Principles. Fiona Reynolds particularly thanked signatories for participating in working groups and advisory committees.

Fiona Reynolds also thanked the PRI Board. Like many organisations due to COVID-19, the PRI had to adapt to the change and move to virtual board and committee meetings. This imposed challenges for the board members based in different parts of the world. However, all board members have shown strong commitment and adapted to the change. Fiona Reynolds sincerely thanked the PRI staff for their dedication, leadership, and ability to adapt to challenging circumstances.

Various programmes, guidance and initiatives mentioned have taken the PRI one step closer to meeting our commitment outlined in the 10-year Blueprint. In spite of the challenges investors have faced around the world, it's clear that there has been significant progress on responsible investment. COVID-19 has shown the importance of sustainability. A healthy economy, healthy businesses must be underpinned by healthy people and a healthy planet. People, profit and planet are all interconnected. Investors are playing their role to ensure not only we recover from COVID-19 but that we build back better.

⁹ <https://www.unpri.org/leaders-group-2020/6524.article>

¹⁰ <https://www.unpri.org/winners-of-the-pri-awards-2020/6518.article>

STRATEGY CONSULTATION

The PRI's strategy is driven by its signatories. To develop the three-year strategy, the PRI would like to consult with its signatories. Through surveys, focus groups and board members, signatories have made a variety of requests such as: provide examples of best practice, deepen ESG integration across asset classes, guidance on incorporating issues into the investment framework, continued focus on climate change, wider variety and more standardised data, shaping and measuring outcomes in line with the SDGs, and increase the focus on social issues, particularly human rights etc...

The PRI received fantastic input from its signatories and incorporated their ideas, vision, challenges and priorities into the Blueprint. The Blueprint provides a strong framework to organise and prioritise our activities. In the face of the pandemic, it is clear that the Blueprint is more important than ever before. Through the lens of signatory feedback, we have developed draft priority work areas where the PRI proposes to focus its efforts over the next three years.

At a high level under the responsible investors part of the Blueprint, the PRI will drive ESG incorporation, increase stewardship ambitions, strengthen accountability, and recognise leadership. To create sustainable markets, the PRI will address legal barriers, improve end-to-end sustainability data, align policies, regulation and market incentives, and embed sustainability in the economic recovery from COVID-19. To create a prosperous world for all the PRI will enable investors to focus on outcomes, secure net-zero commitments, elevate social issues, and work with investors to deliver the SDGs.

Current events, including COVID-19, will have an input into the strategy. The human and economic toll of the crisis continues to be significant and it has affected signatories around the world in different ways. However, the silver lining in this tragedy is that it has given a significant boost to sustainability and the opportunity to leverage the crisis, to build back better. The pandemic has served as a proof point for sustainability. The PRI signatories have never been more engaged on ESG issues and the PRI has witnessed a record level of uptake in sustainability strategies.

As we look to recover from COVID-19 and to build back better the SDGs have never been more important. The SDGs is a world's business plan and to recover we need to fund and implement this plan. The SDGs were launched 5 years ago, but the time is running out to achieve them. The UN Secretary-General recently said that "overall we are seriously off track" and one of the reasons for the slow progress is the lack of financing. United Nations Conference on Trade and Development (UNCTAD) estimates that funding requirements for SDGs is between USD \$5 to \$7 trillion per year from the private sector alone. Now it's the time to accelerate SDGs, and investors have a key role to play.

We believe that investors' leverage enables them to shape outcomes in the real world in terms of increasing positive outcomes and decreasing negative outcomes. To help investors seeking to shape

outcomes in line with the SDGs, the PRI recently launched investing with SDG outcomes report¹¹ which provides a five-part framework for investors that are seeking to understand the real-world outcomes of their investments. The PRI is working with Freshfields to take a new step in the fiduciary duty work, focusing on the law and how it enables or detracts from being able to prioritise sustainability outcomes.

The PRI is aiming to drive meaningful data, which better enables responsible investment by looking at end-to-end data that is decision-useful. We have recently announced a new partnership between the PRI and the World Business Council for Sustainable Development (WBCSD) to drive joint corporate-investor action. Through this partnership, the PRI will work on decision-useful sustainability data and aligning incentives such as remuneration. The collaboration will complement existing efforts and approaches to developing ESG data and strengthen the effectiveness of current standards and frameworks. These issues have been in discussion for a long period of time, and our partnership is about helping to solve them.

In the past, social issues have often been treated differently by investors, corporates and governments, taking a back seat to environmental and governance issues. Interestingly, social and human rights issues have grown significantly over the past few years. In a recent PRI survey, 64% of respondents said that COVID-19 has made social issues priorities. In the 2019 Reporting Framework, signatories highlighted human and labour rights as priority issues. The PRI has fantastic signatories who are doing great work in this area. In the past five years, approximately 115 institutional investors have engaged with 100 companies through PRI led collaborative engagements. According to PRI data portal, more than 120 investors are already screening their investment portfolios based on the United Nations Guiding Principles (UNGP) and Organisation for Economic Co-operation and Development (OECD) guidelines. Although we have a group of signatories who are very engaged on human rights issues, it doesn't represent the bulk of the PRI's signatory base and we still have a long way to go. The PRI launched a five-year program on human rights and recently concluded human rights consultation which provides a six-step framework to implement human rights into investment activities.

The aggregate impact of our current stewardship practices is failing to meaningfully reduce systemic risks or address the SDGs. Last year, the PRI launched Active Ownership 2.0 programme, focusing on how we think stewardship needs to evolve. We will produce guidance on practical implementation, particularly around investor proxy voting and real economy policy advocacy. As part of the ongoing review, we will also be aligning Reporting and Assessment Framework to encourage and reward leadership that is starting to emerge in this area.

Investors are critical to transition to net zero and without the finance sector, we will not be able to solve climate change. The PRI will continue to work with investors across four key areas including corporate engagement, investments, investor disclosure and policy advocacy with governments and other stakeholders. Climate Action 100+ is a great example of Active Ownership 2.0. It's the largest ever investor engagement with over 500 investors representing USD \$47 trillion AUM. If we were to

¹¹ <https://www.unpri.org/sustainable-development-goals/investing-with-sdg-outcomes-a-five-part-framework/5895.article>

achieve the Paris Agreement, investors need to do more than pushing corporates and they also need to commit to net-zero across their entire portfolio.

From January 2021, the PRI will make it mandatory to report and disclose against TCFD based governance and strategy questions. We will also introduce reporting on sustainability outcomes and not just processes. This year there was a three-fold increase in investor climate reporting to PRI in the first quarter of 2020, which was a result of PRI making it mandatory to report to those who were voluntary to disclose. Yet this increase in reporting does not necessarily signal a change in investment practice. Many investors are start of their journey with TCFD. The PRI conducted a staircase analysis on quality of investor reporting and found that only 2% of investors who reported were in the strategic category. We need investors across the globe to engage with governments because without changes to government policy settings, it is difficult to achieve net-zero. Through our IPR work, we are encouraging investors and governments to act. Many countries still do not have net-zero targets.

The PRI aims to increase signatory accountability by improving reporting, increasing minimum requirements and strengthening assurance. The PRI worked in close consultation with its signatories to develop a new Reporting & Assessment Framework that is shorter and easy to use, but at the same time more challenging to attain higher scores. It will feature a process-based core component of close-end questions that will be mandatory and assessed. It will also have advanced open-ended plus component of process and outcome questions which are voluntary and not assessed. The PRI introduced minimum requirements in 2018 and this is a critical component of our plans to increase signatory accountability. We have committed to gradually increase the minimum requirements for signatories over time. In the next set of changes, we will increase the standards required and reduce the time allowed. Signatories are encouraged to respond to the minimum requirements questions as part of the strategy consultation.

The other element of increasing accountability is showcasing leadership. The PRI will support its signatories to be purposeful, consistent, transparent, engaged, and responsible. We will also establish a set of new leadership programs for signatories to get involved in. Last year the PRI launched the leaders' group and the PRI awards to showcase leadership and best practices from across the PRI signatory base for everyone to learn from. The leadership group assesses the breadth of signatory excellence across their organisations focusing on a specific theme each year. The theme of 2021 will be stewardship. The PRI will continue with independently judged PRI awards to recognise individual projects across the signatory base. Through our accountability and leadership initiatives, the PRI will continue to move the needle of what it means to be a signatory and celebrate leadership as well as raising the bar both at the bottom and top.

To summarise, over the next three years the PRI will be working closely with its signatories to bridge the existing gap between financial risks and outcomes in line with the SDGs, to align legal frameworks, improve sustainability data and remove roadblocks, elevate human rights, increase investor stewardship ambition, increase net-zero commitments, and strengthen accountability and highlight leadership. ESG incorporation will continue to play a core role in PRI's work over the next three years. The PRI will continue to publish the range of introductory guides which are valuable to

newer signatories. Our technical work will also help signatories to meet the increasing range of challenges from regulators and other stakeholders in areas such as TCFD, EU taxonomy and human rights, to enable signatories to develop policies and practices. Over the next three years, we will continue to work globally as well as locally, taking a digital-first approach to help us achieve the ambitious agenda and to continue to deliver value to our signatories as our membership continues to grow in both size and diversity. We hope to deliver our next three-year strategy without raising fee beyond inflation.

The consultation begins today until the 25 November. The PRI Board will review your feedback in December and will determine the final strategy, which will launch on 1 April 2020. The PRI values signatory feedback and encourages signatories to participate in the strategy consultation.

If we are successful in implementing our strategy over the next three years, we believe that it has the potential to contribute to real-world changes. The work will be underpinned by investors shaping real-world outcomes, in line with the SDGs. We look forward to receiving your feedback and working with the PRI signatories on this ambitious agenda. Together we can move sustainability forward in the next three years in a way we have never done before.

PRI BOARD ANNUAL ELECTION CANDIDATES

The 2020 PRI Board annual election is for **one asset owner** and **one investment manager** representative positions. Five candidates have nominated for the one open asset owner position and seven candidates have nominated for the one open investment manager position. Signatories will be asked to vote for candidates from 21 October to 4 December¹².

Asset owner candidates:

- Patricia Alejo, Portfolio Manager, Pontificia Universidad Javeriana
- Rafael Castro, Executive Manager of Compliance and Internal Control, PREVI
- Juan Camilo Osorio Londono, Chairman of the Board, Afore Sura
- Kamal Mitha, Head Investments, Sasria
- Renosi Mokate, Chairperson, GEPF Board of Trustees, GEPF

Investment manager candidates:

- Alyssa Go, VP of Sustainability, RRG Capital Management
- Peter Greenwood, Director of ESG and Impact, TriLinc Global, LLC
- Roelfien Kuijpers, Global ESG Client Officer, DWS Group
- Carola van Lamoen, Head SI Center of Expertise, Executive Director, Robeco
- Jessica Malmfors, CEO, Nordea
- Longhai Qian, Chair of Supervisory Board, First Capital Securities Co., Ltd
- Tycho Sneyers, Managing Partner, LGT Capital Partners

Signatories approve the minutes via an online vote alongside the PRI Board election vote.

¹² <https://www.unpri.org/pri/pri-governance/board-elections>

SIGNATORY Q&A

Signatories asked questions on:

- Why the travel budget is higher for 2020/21 despite COVID-19.
- Explain the PRI's strategy on grant funding.
- Provide staff breakdown by teams to allow an assessment of resources spent.
- The requirement to engage and vote is prohibitively expensive for some smaller managers.
- Timeframe for signatories to view the new Reporting Framework.
- Share the SGM presentation with signatories.
- The influence of Brexit on the PRI's operations.
- The PRI's strategy for increasing the presence and practice of responsible investment in emerging markets.
- The PRI's strategy on TCFD adoption for signatories in concentrated emerging markets (South Africa).
- Explain how collaboration with WBCSD will add value to other initiatives.
- Frameworks used by the PRI to inform proxy voting decision by signatories.
- Scope for adjusting signatory fee schedule to better accommodate emerging market investors.
- The PRI's response to possible regulatory divergence in ESG rules for fund managers between US and UK/EU.
- The PRI's regionalisation strategy in meeting the needs of the US market.
- The influence of COVID-19 on the PRI's operations and how did the PRI adapt.
- The PRI's plans to grow the UN Net Zero Asset Owner Alliance.
- The process for delisting signatories who failed to meet the minimum requirements.
- Additional guidance and resources available for fixed income asset managers.