

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

LACERS Ken Spiker Boardroom
202 West First Street, Fifth Floor
Los Angeles, California

August 14, 2018

10:12 a.m.

Agenda of: Aug. 28, 2018

Item No: II

PRESENT:	President:	Cynthia M. Ruiz
	Vice President	Michael R. Wilkinson
	Commissioners:	Elizabeth L. Greenwood Elizabeth Lee Nilza R. Serrano Sung Won Sohn
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian
	Legal Counsel:	Anya Freedman James Napier
ABSENT:	Commissioner:	Sandra Lee

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

I

PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION – President Ruiz asked if there were any persons who wished to speak on matters within the Board's jurisdiction, to which there was one response; two public comment cards were received. Mark Blunk, LACERS retiree, made a public comment regarding the Actuarial Recommendations. Alan Manning, LACERS retiree, stated he would make his public comment prior to the discussion of Agenda Item No. IX-A.

II

APPROVAL OF MINUTES FOR BOARD MEETING OF JULY 24, 2018, AND SPECIAL BOARD MEETING OF JULY 24, 2018, AND RECONSIDERATION OF APPROVAL OF MINUTES FOR BOARD MEETING OF JUNE 26, 2018 AND POSSIBLE BOARD ACTION – A motion to approve the minutes of July 24, 2018 and Special Board Meeting of July 24, 2018, and reconsideration of approval of minutes of June 26, 2018 was moved by Commissioner Serrano, seconded by Vice President Greenwood, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood and President Ruiz -6; Nays, None.

III

BOARD PRESIDENT VERBAL REPORT – President Ruiz attended the LACERS Guiding Principles Awards Luncheon on July 26, 2018. President Ruiz stated the Board Committee Assignments for Fiscal Year 2018-19 have been confirmed.

IV

GENERAL MANAGER VERBAL REPORT – Neil Guglielmo, General Manager, stated there were 10 written public comments regarding Agenda Item No. IX-A. The written public comments were submitted by Javier Dennis, Veronica Buenrostro, Sean Simonyan, Fazeel Chauhan, John Sosa, Mary Campos, Janeshia Robinson, Mark Blunk, Tom Moutes, and Ruth Perry.

- A. REPORT ON DEPARTMENT OPERATIONS – Neil Guglielmo, General Manager, discussed the following items:
- July retiree checks will include the 2.8% COLA.
 - Audio streaming of Board/Committee Meetings requested by the Mayor's Office.
 - Retirement Eligibility Reports will be emailed to Department Heads in August.
 - Administrative Code on retiree payroll deductions is changing.
 - Incorrect beneficiary on some members profiles on MyLACERS.
 - Some members did not receive payroll statements, staff is working with Northern Trust to resolve this issue.
- B. UPCOMING AGENDA ITEMS – Neil Guglielmo, General Manager, stated the Retiree Health Plan Contract Renewals, 2019 Maximum Health Subsidy and Reimbursement Amounts, and Amendment of the Benefits Administration Committee Charter would be coming forward from the Benefits Administration Committee at the August 28, 2018 Board Meeting.

V

CONSENT AGENDA

- A. BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER – This report was received by the Board and filed.
- B. MARKETING CESSATION NOTIFICATION – This report was received by the Board and filed.
- C. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR JUNE 2018 – This report was received by the Board and filed.
- D. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR JULY 2018 – This report was received by the Board and filed.
- E. TRAVEL AUTHORITY (REVISED) – COMMISSIONER ELIZABETH L. GREENWOOD; VALUE EDGE ADVISORS 2018 PUBLIC FUNDS FORUM, LAGUNA BEACH, CALIFORNIA; SEPTEMBER 4-6, 2018 AND POSSIBLE BOARD ACTION – Commissioner Sohn moved approval of the following Resolution:

**TRAVEL AUTHORITY
VALUE EDGE 2018 PUBLIC FUNDS FORUM
SEPTEMBER 4-6, 2018
LAGUNA BEACH, CALIFORNIA**

RESOLUTION 180814-A

WHEREAS, Board approval is required for all international travel requests and travel not included in the Approved List of Educational Seminars;

WHEREAS, the Approved List of Educational Seminars for Fiscal Year 2018-19 has not yet been adopted and this conference has not been included in previous Approved Lists of Educational Seminars, and therefore requires individual approval;

WHEREAS, the sound management of the assets and liabilities of a trust fund imposes a continuing need for all Board Members to attend professional and educational conferences, seminars, and other educational events that will better prepare them to perform their fiduciary duties;

THEREFORE, BE IT RESOLVED, that Commissioner Greenwood is hereby authorized to attend the Value Edge 2018 Public Funds Forum on September 4-6, 2018, in Laguna Beach, California;

BE IT FURTHER RESOLVED, that the reimbursement of up to \$1548.00 for Commissioner Greenwood is hereby authorized for reasonable expenses in connection with participation.

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

- F. TRAVEL AUTHORITY – COMMISSIONER CYNTHIA RUIZ; PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI) IN PERSON 2018, SAN FRANCISCO, CALIFORNIA; SEPTEMBER 12-14, 2018 AND POSSIBLE BOARD ACTION – Commissioner Sohn moved approval of the following Resolution:

**TRAVEL AUTHORITY
Principles for Responsible Investment (PRI) In Person 2018
SEPTEMBER 12-14, 2018
SAN FRANCISCO, CALIFORNIA**

RESOLUTION 180814-B

WHEREAS, Board approval is required for all international travel requests and travel not included in the Approved List of Educational Seminars;

WHEREAS, the Principles for Responsible Investment (PRI) in Person 2018 in San Francisco, California is not included in the Approved List of Educational Seminars authorized by the Board Education and Travel Policy for Fiscal Year 2018-19, and therefore requires individual approval;

WHEREAS, the sound management of the assets and liabilities of a trust fund imposes a continuing need for all Board Members to attend professional and educational conferences, seminars, and other educational events that will better prepare them to perform their fiduciary duties;

THEREFORE, BE IT RESOLVED, that Commissioner Ruiz is hereby authorized to attend the Principles for Responsible Investment (PRI) in Person 2018 on September 12-14, 2018 in San Francisco, California.

BE IT FURTHER RESOLVED, that the reimbursement of up to \$1,327 is hereby authorized for reasonable expenses in connection with participation.

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

- G. RECEIVE AND FILE – COMMISSIONER SOHN BOARD EDUCATION EVALUATION ON THE MASSACHUSETTS INSTITUTE OF TECHNOLOGY PROFESSIONAL CERTIFICATE PROGRAM IN REAL ESTATE FINANCE AND DEVELOPMENT, CAMBRIDGE, MASSACHUSETTS, JUNE 10 – 15, 2018 – This report was received by the Board and filed.
- H. RECEIVE AND FILE – COMMISSIONER CHAO BOARD EDUCATION EVALUATION ON THE MASSACHUSETTS INSTITUTE OF TECHNOLOGY PROFESSIONAL CERTIFICATE PROGRAM IN REAL ESTATE FINANCE AND DEVELOPMENT, CAMBRIDGE, MASSACHUSETTS, JUNE 12 – 15, 2018 – This report was received by the Board and filed.
- I. INVESTIGATIVE SERVICES REQUEST FOR PROPOSAL – PROPOSER RECOMMENDATIONS AND POSSIBLE BOARD ACTION – Vice President Greenwood moved approval of the following Resolution:

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

RESOLUTION 180814-C

WHEREAS, LACERS utilizes investigative firms to provide affordable professional investigative services;

WHEREAS, the use of investigative service firms is part of LACERS proactive risk management strategy;

WHEREAS, on July 19, 2018, the Benefits Administration Committee reviewed the qualifications and services provided by FRASCO, Inc. and TruView BSI, LLC and the recommendations of staff;

WHEREAS, the Committee found that the work of providing investigative services is more feasibly performed by a contractor than City employees;

WHEREAS, the Committee, after some discussion, concluded FRASCO, Inc. and TruView BSI, LLC were the most qualified respondents to provide investigative services to LACERS;

NOW, THEREFORE BE IT RESOLVED, that the Board:

- 1) Approves contract awards to FRASCO, Inc. and TruView BSI, LLC for investigative services; and,
- 2) Authorizes the General Manager to negotiate terms and execute the contracts with the chosen providers in an amount not to exceed \$100,000 per contract per year, for three years.

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

VI

DISABILITY RETIREMENT APPLICATION(S)

- A. CONSIDER THE DISABILITY RETIREMENT APPLICATION OF MICHAEL KARATSONYI AND POSSIBLE BOARD ACTION (HEARING) – Anna Ingram, Management Analyst with Retirement Services presented this item to the Board. Carmen Karatsonyi, wife of Disability Retirement Applicant Michael Karatsonyi, appeared before the Board and represented her husband in his absence. Commissioner Greenwood moved to grant the Disability Retirement Application of Michael Karatsonyi, seconded by none, this motion died due to lack of a second. Commissioner Greenwood amended her motion to include a 1-year renewal, seconded by none, this motion died due to lack of a second. Commissioner Serrano moved approval of staff's recommendation, seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, and President Ruiz -5; Nays, Vice President Greenwood -1.
- B. CONSIDER THE RETURN TO WORK REQUEST FOR DISABILITY RETIREMENT RETIREE DIANA KEMPTON AND POSSIBLE BOARD ACTION – Anna Ingram, Management Analyst with Retirement Services presented this item to the Board. Diana Kempton, Disability Retirement Retiree, appeared before the Board. Vice President Greenwood moved approval of staff's recommendation, seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood, and President Ruiz -6; Nays, None.

Commissioner Sohn stepped out of the Board Meeting at 10:59 a.m. and returned at 11:00 a.m.

VII

COMMITTEE REPORT(S)

- A. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT ON THE MEETING OF AUGUST 14, 2018 – Commissioner Wilkinson stated the Benefits Administration Committee approved the 2019 Health Plan Contract Renewals, 2019 Maximum Health Subsidy and Reimbursement Amounts, and the Amendent to the Benefits Administration Committee Charter.

VIII

BOARD/DEPARTMENT ADMINISTRATION

- A. PROPOSED LIST OF PRE-APPROVED BOARD EDUCATIONAL SEMINARS FOR FISCAL YEAR 2018-19 AND POSSIBLE BOARD ACTION – Vice President Greenwood moved approval, seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood and President Ruiz -6; Nays, None.
- B. RECOMMENDATION FOR CITY COUNCIL TO TAKE OPPOSE POSITION ON THE PUBLIC EMPLOYEE PENSION TRANSPARENCY ACT (PEPTA) AND POSSIBLE BOARD ACTION – Commissioner Wilkinson moved approval, seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood and President Ruiz -6; Nays, None.

IX

ACTUARIAL PROGRAM

Alan Manning, LACERS retiree, made a public comment regarding the Proposed Actuarial Changes.

- A. CONTINUED CONSIDERATION OF PROPOSED ASSUMPTION CHANGES BASED ON ACTUARIAL EXPERIENCE STUDY AND POSSIBLE BOARD ACTION – Paul Angelo, Actuary with Segal Consulting and Todd Bouey, Assistant General Manager presented this item to the Board. Commissioner Serrano moved approval of the following items: Recommendation Item 1, introduce an assumption to reflect Cost-of-Living Adjustment (COLA) benefits on a prospective basis beginning July 1, 2019, when a member elects an optional form of benefit and Recommendation Item 2, adopt the Demographic Assumptions, inclusive of a change to the mortality tables from static to generational, Commissioner Elizabeth Lee made a friendly amendment to Commissioner Serrano's motion, to consider a full experience study in the year 2020, seconded by Vice President Greenwood, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Vice President Greenwood, and President Ruiz -5; Nays, Commissioner Wilkinson -1.

The Board did not approve Recommendation Item 3, adoption of the Economic Assumptions, inclusive of a 7.00% net investment rate of return and a 2.75% inflation rate.

X

INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the fund portfolio, \$17.56 billion as of August 13, 2018. He stated that the contract with TorreyCove has been executed for five years. Brinda Patel, the intern from Girls Who Invest, completed her time at LACERS and has returned to USC. Investments will be hiring a new intern in the Fall and will be recruiting an intern from Girls Who Invest in 2019. Mr. June stated that he was informed by Matthew Kaplan, Managing Director of Almanac Realty

Investors, that LACERS will not be getting an allocation with the fund. Upcoming agenda item includes RFPs for Investment Manager Allocation Study. Andrea Galstian, Management Analyst with Investments Division, is leaving City Service and has accepted a position as a Civilian employee with the United States Air Force. She shared her experience and appreciation of her time at LACERS with the Board.

President Ruiz adjourned the Regular Meeting at 11:51 a.m. for a break. President Ruiz reconvened the Regular Meeting at 12:01 p.m.

- B. CONTINUED DISCUSSION OF RISK BUDGETING, ASSET CLASS REVIEWS, AND ASSET ALLOCATION IMPLEMENTATION PLAN AND POSSIBLE BOARD ACTION – Carolyn Smith, Partner at NEPC, presented this item to the Board. Commissioner Serrano moved approval, seconded by Vice President Greenwood and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood, and President Ruiz -6; Nays, None.
- C. PRESENTATION BY THE TOWNSEND GROUP OF THE REAL ESTATE PORTFOLIO PERFORMANCE REVIEW FOR THE PERIOD ENDING DECEMBER 31, 2017 – Robert Miranda, Vice President and Felix Fels, Associate with Townsend Group presented this item to the Board.

President Ruiz adjourned the Regular Meeting at 1:34 p.m. for a break. President Ruiz reconvened the Regular Meeting at 1:39 p.m.

- D. REAL ESTATE FISCAL YEAR 2018-19 STRATEGIC PLAN AND POSSIBLE BOARD ACTION– Robert Miranda, Vice President and Felix Fels, Associate with Townsend Group presented this item to the Board. Commissioner Serrano moved approval, seconded by Commissioner Elizabeth Lee and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, and President Ruiz -5; Nays, None.
- E. INVESTMENT MANAGER CONTRACT WITH EAM INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP GROWTH EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION – Bryan Fujita, Chief Operating Officer and Eduardo Park, Investment Officer I presented this item to the Board. Commissioner Serrano moved approval of the following Resolution:

**CONTRACT RENEWAL
EAM INVESTORS, LLC
ACTIVE U.S. SMALL CAP GROWTH EQUITIES PORTFOLIO MANAGEMENT**

RESOLUTION 180814-F

WHEREAS, LACERS current three-year contract with EAM Investors, LLC (EAM) for active management of a U.S. small cap growth equities portfolio expires on September 30, 2018; and,

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

WHEREAS, a contract renewal with EAM will allow LACERS to maintain a diversified exposure to the U.S. small cap equities markets; and,

WHEREAS, on August 14, 2018, the Board approved the Investment Committee's recommendation for a two-year contract renewal with EAM; and,

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>	EAM Investors, LLC
<u>Service Provided:</u>	Active U.S. Small Cap Growth Equities Portfolio Management
<u>Effective Dates:</u>	October 1, 2018 through September 30, 2020
<u>Duration:</u>	Two years
<u>Benchmark:</u>	Russell 2000 Growth Index
<u>Allocation as of June 30, 2018:</u>	\$126.9 million

Which motion was seconded by Commissioner Elizabeth Lee, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, and President Ruiz -5; Nays, None.

Vice President Greenwood returned to the Regular Meeting at 1:50 p.m.

- F. CONTINUED DISCUSSION OF COMMITMENT OF UP TO \$35 MILLION IN ALMANAC REALTY SECURITIES VIII, LP AND POSSIBLE BOARD ACTION – Rod June, Chief Investment Officer and Eduardo Park, Investment Officer I presented this item to the Board. The Board took no action on this item.

XI

BENEFITS ADMINISTRATION

- A. ANTHEM BLUE CROSS 2017 YEAR-END ACCOUNTING AND POSSIBLE BOARD ACTION – Alex Rabrenovich, Chief Benefits Analyst and Borden Darm, of Keenan & Associates presented this item to the Board. Commissioner Serrano moved approval, seconded by Vice President Greenwood and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood, and President Ruiz -6; Nays, None.

XII

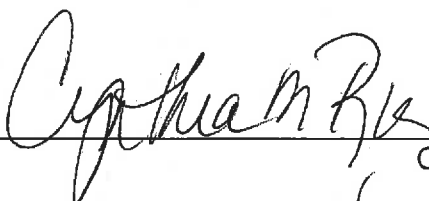
OTHER BUSINESS – There was no other business.

XIII

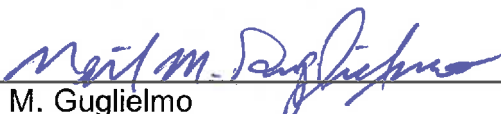
NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, August 28, 2018 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

XIV

ADJOURNMENT – There being no further discussion before the Board, President Ruiz adjourned the meeting at 2:10 p.m.



Cynthia M. Ruiz
President



Neil M. Guglielmo
Manager-Secretary

