



Investment Committee Agenda

REGULAR MEETING

TUESDAY, JUNE 14, 2022

TIME: 10:30 A.M. OR IMMEDIATELY FOLLOWING THE REGULAR BOARD MEETING

MEETING LOCATION:

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health or safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Investment Committee's June 14, 2022 meeting will be conducted via telephone and/or videoconferencing.

Important Message to the Public

Information to call-in to listen and/or participate:

Dial: (669) 254-5252 or (669) 216-1590

Meeting ID# 161 369 0776

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

Chair: Sung Won Sohn

Committee Members: Elizabeth Lee
Nilza R. Serrano

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghokassian

Legal Counselor: 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.

Disclaimer to Participants

Please be advised that all LACERS Board and Committee Meeting proceedings are audio recorded.

Information to listen only: Live Committee Meetings can be heard at: (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside), and (310) 547-CITY (San Pedro Area).

[CLICK HERE TO ACCESS BOARD REPORTS](#)

- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'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 MEETING OF MAY 10, 2022, AND POSSIBLE COMMITTEE ACTION](#)
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. [SEMI-FINALISTS OF THE PRIVATE CREDIT CONSULTANT REQUEST FOR PROPOSAL AND POSSIBLE COMMITTEE ACTION](#)
- V. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO CORTLAND GROWTH AND INCOME, L.P. AND POSSIBLE COMMITTEE ACTION**
- VI. OTHER BUSINESS
- VII. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, July 12, 2022, at 10:30 a.m., or immediately following the Board Meeting, at LACERS, 202 West 1st Street, Suite 500, Los Angeles, CA 90012 and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings while response to public health concerns relating to the novel coronavirus continue.
- VIII. ADJOURNMENT



Board of Administration Agenda

SPECIAL MEETING

TUESDAY, JUNE 14, 2022

TIME: 10:30 A.M. OR IMMEDIATELY FOLLOWING THE REGULAR BOARD MEETING

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President: Vacant
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 Ghoukassian

Legal Counsel: City Attorney's Office
Public Pensions General
Counsel Division

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- VIII. ADJOURNMENT

MINUTES OF THE REGULAR MEETING
INVESTMENT COMMITTEE
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health or safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Investment Committee's May 10, 2022 meeting was conducted via telephone and/or videoconferencing.

May 10, 2022

12:10 p.m.

PRESENT via Videoconferencing:	Chair:	left at 12:51 p.m. Sung Won Sohn
	Committee Member:	Elizabeth Lee Nilza R. Serrano
	Legal Counselor:	Joshua Geller
PRESENT at LACERS Office:	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian

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

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'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** – Chair Sohn asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there was no response.

II

APPROVAL OF MINUTES FOR THE MEETING OF APRIL 12, 2022 AND POSSIBLE COMMITTEE ACTION – Committee Member Serrano moved approval, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee, Serrano, and Chair Sohn -3; Nays, None.

III

CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, discussed the following items:

- Investment Committee Meeting Forward Calendar

- Updates on manager searches including: Private Credit Consulting list of semi-finalists to be presented in June 2022, Transition Manager list of semi-finalists to be presented in June 2022, and Passive Index Manager Finalist interviews planned for July 2022
- Unique Investment Opportunities Policy coming forth to the IC
- Emerging Investment Manager Policy: Staff is working with the real estate consultant to make this policy more inclusive without compromising on risk

IV

REAL ESTATE FISCAL YEAR 2022-23 STRATEGIC PLAN AND POSSIBLE COMMITTEE ACTION – Wilkin Ly, Investment Officer III, Chae Hong, Partner, Felix Fels, Associate Partner, and Prashant Tewari, Partner, with The Townsend Group, presented and discussed this item with the Committee for 35 minutes. Committee Member Serrano moved approval, adopted by the following vote: Ayes, Committee Members Elizabeth Lee, Serrano, and Chair Sohn -3; Nays, None.

Chair Sohn left the Meeting at 12:51 p.m.

V

INVESTMENT MANAGER CONTRACT WITH LAZARD ASSET MANAGEMENT LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS CORE PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Ellen Chen, Investment Officer II, presented and discussed this item to the Committee for 10 minutes. Committee Member Elizabeth Lee moved approval, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee and Co-Chair Serrano -2; Nays, None.

VI

INVESTMENT MANAGER CONTRACT WITH STATE STREET GLOBAL ADVISORS REGARDING THE MANAGEMENT OF A PASSIVE GLOBAL INDEX STRATEGY AND POSSIBLE COMMITTEE ACTION – Ellen Chen, Investment Officer II, presented and discussed this item to the Committee. Committee Member Elizabeth Lee moved approval, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee and Co-Chair Serrano -2; Nays, None.

VII

ADAPTIVE ASSET ALLOCATION POLICY AND STATUS REPORT AND POSSIBLE COMMITTEE ACTION – James Wang, Investment Officer I, presented and discussed this item with the Committee. Committee Member Elizabeth Lee moved approval, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee and Co-Chair Serrano -2; Nays, None.

VIII

OTHER BUSINESS – Neil M. Guglielmo, General Manager, shared that the Budget & Finance Committee provided LACERS positive feedback on the budget submittal and support staff to look at investing locally.

IX

NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, June 14, 2022, at 10:30 a.m. or immediately following the Board Meeting, at LACERS, 202 West 1st Street, Suite 500, Los Angeles, CA 90012, and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings while responding to public health concerns relating to the novel coronavirus continue.

X

ADJOURNMENT – There being no further business before the Committee, Co-Chair Serrano adjourned the meeting at 1:10 p.m.

Nilza R. Serrano
Chair

Neil M. Guglielmo
Manager-Secretary



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: JUNE 14, 2022
ITEM: IV

Neil M. Guglielmo

SUBJECT: SEMI-FINALISTS OF THE PRIVATE CREDIT CONSULTANT REQUEST FOR PROPOSAL AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee concur with staff's recommendation to advance Aksia, LLC, Meketa Investment Group, Inc. and NEPC, LLC as semi-finalists for the Private Credit Consultant search.

Executive Summary

The Board approved a Request for Proposal (RFP) for a private credit consultant on December 14, 2021; the RFP was published on January 24, 2022, and the submission period for respondents concluded on March 25, 2022. A total of four proposals were received, all of which met the minimum qualifications and were evaluated by staff. Aksia, LLC, Meketa Investment Group, Inc. and NEPC, LLC are recommended to advance as semi-finalists.

Discussion

Background

The Board approved a new asset allocation on May 11, 2021, that expanded LACERS' exposure to private credit to a new policy target of 5.75% pursuant to a time-specific implementation schedule. This action increased diversification of LACERS' private credit into higher yielding strategies such as opportunistic and distressed lending to achieve a target private credit portfolio return of 6.1%. While somewhat more complex, combining multiple strategies can improve portfolio performance through a range of market conditions by enabling expert investment managers to take advantage of the best opportunities available.

LACERS' increased allocation to private credit and corresponding expansion into new private credit strategies to achieve targeted returns will require significant time, attention, and resources from both staff and a private credit consultant. While LACERS relies on existing private credit advisory expertise from its general investment fund consultant, NEPC, LLC, the expansion into higher yielding strategies demands a greater level of expertise, which is above and beyond the general fund consultant's existing contract terms. While the proposed consulting relationship would require additional financial resources,

staff believes that outsourced assistance to identify the best managers and to construct a resilient and dynamic portfolio is well justified due to potential risks that drive credit cycles, such as interest rate shocks, recessions, and foreign currency crises. The Board concurred with staff's recommendation to conduct a search for a private credit consultant on December 14, 2021.

The search opened on January 24, 2022, and closed on March 25, 2022. The RFP was published on LACERS' website and advertised in the print and online editions of Pensions & Investments and Emerging Manager Monthly. The RFP was also advertised through the following organizations: Association of Asian American Investment Managers, National Association of Investment Companies, National Association of Securities Professionals, and the New America Alliance. The RFP was also emailed to all contacts within the LACERS Investment RFP/RFI Notification System database.

Search Results

Four firms responded to the RFP, and all four firms met the minimum qualifications required to participate in the search:

- Aksia, LLC
- Meketa Investment Group, Inc.
- NEPC, LLC
- Wilshire Advisors LLC

Evaluation Criteria and Recommendation

Staff evaluated the four firms based on the following methodology stated in the RFP:

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

The attached evaluation report (Attachment 1) provides a summary of staff's analysis. Staff developed a scoring matrix using the criteria listed above to rate each proposal. A score between 0 (lowest score) and 100 (highest score) was assigned to each criterion. These scores were then averaged using the weights identified in the matrix to derive a total score for each proposal. Appendix B of the evaluation report provides further details of the scoring matrix and examples of factors considered for each criterion. Based on the evaluation and the resulting scores, there is a natural break in scores between the top three highest scoring firm and the remaining firm. Staff recommends the following three firms as semi-finalists:

- Aksia, LLC
- Meketa Investment Group, Inc.
- NEPC, LLC

Attachment 2 provides an overview of the consultant team for each firm.

Should the Committee concur with the proposed semi-finalist firms, staff will conduct additional due diligence, inclusive of on-site visits and reference checks. Upon completion of this assessment, the Committee shall interview qualifying semi-finalists firms and select finalist firm(s) for Board interview, consistent with the process approved by the Board on December 14, 2021.

Strategic Plan Impact Statement

The private credit consultant will assist LACERS in building a diversified private credit portfolio to help the fund achieve a satisfactory long-term risk adjusted return (Goal IV). Implementing a competitive bidding process by issuing an RFP upholds good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

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

NMG/RJ/BF/WL/RK:rm

Attachments: 1. Evaluation Report – Private Credit Consultant Request for Proposal
 2. Consultant Overview Matrix



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

PRIVATE CREDIT CONSULTANT
REQUEST FOR PROPOSAL
EVALUATION REPORT

Investment Committee
June 14, 2022



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RESPONDENT LIST AND LOCATION
Proposed semi-finalists are highlighted in yellow.

	Firm Name	Service Office(s)	Headquarters
1.	Aksia LLC	San Diego, CA and New York, NY	New York, NY
2.	Meketa Investment Group, Inc.	Portland, OR; San Diego, CA; and Boston, MA	Boston, MA
3.	NEPC, LLC	San Francisco, CA and Boston, MA	Boston, MA
4.	Wilshire Advisors LLC	Santa Monica, CA	Santa Monica, CA



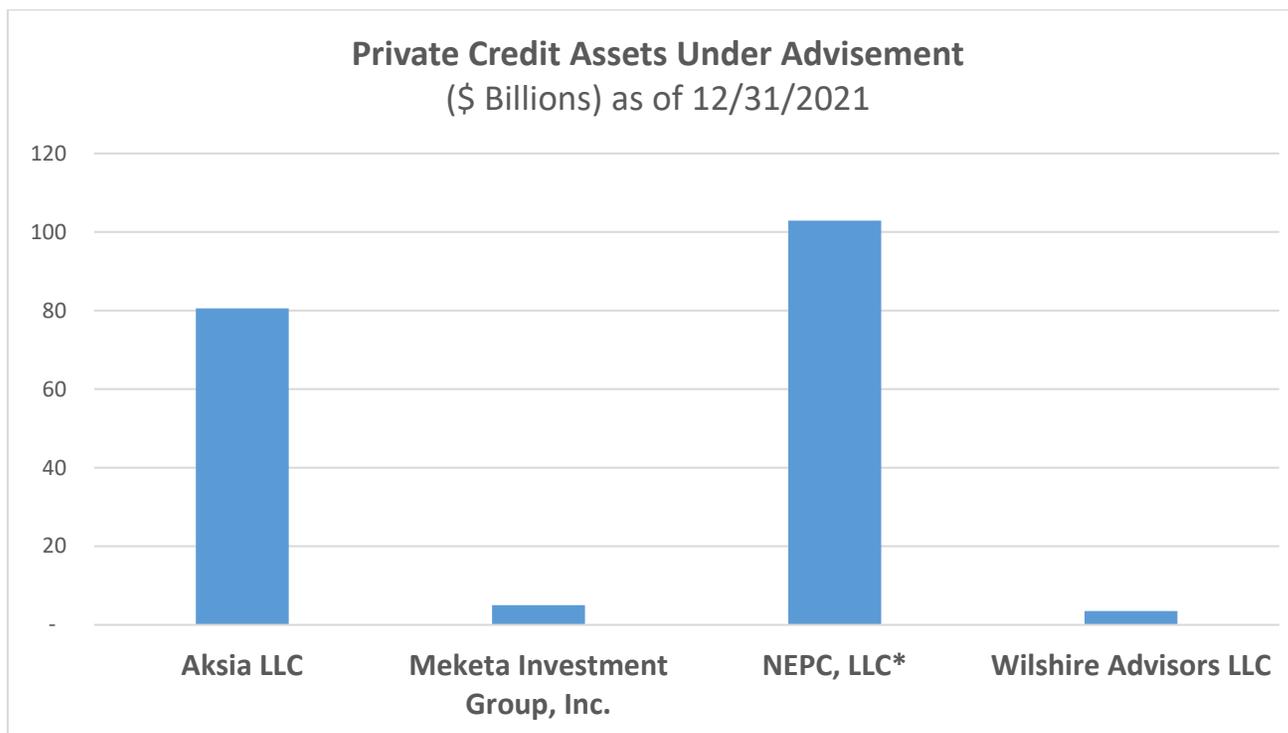
EVALUATION SCORING SHEET
 Proposed semi-finalists are highlighted in yellow.

Criteria	Weight	Aksia LLC	Meketa Investment Group, Inc.	NEPC, LLC	Wilshire Advisors LLC
Ability of firm to provide the services referred to in this RFP.	35%	90	82	80	75
Consultant Team assigned to LACERS' account and its depth, breadth, and experience.	25%	86	84	78	76
Soundness of investment philosophy and approach to meeting LACERS' needs.	30%	90	81	81	75
Fee proposal	10%	80	87	89	68
Total Score *	100%	88	82	81	74

* Due to rounding, numbers presented may not add up precisely to the total score



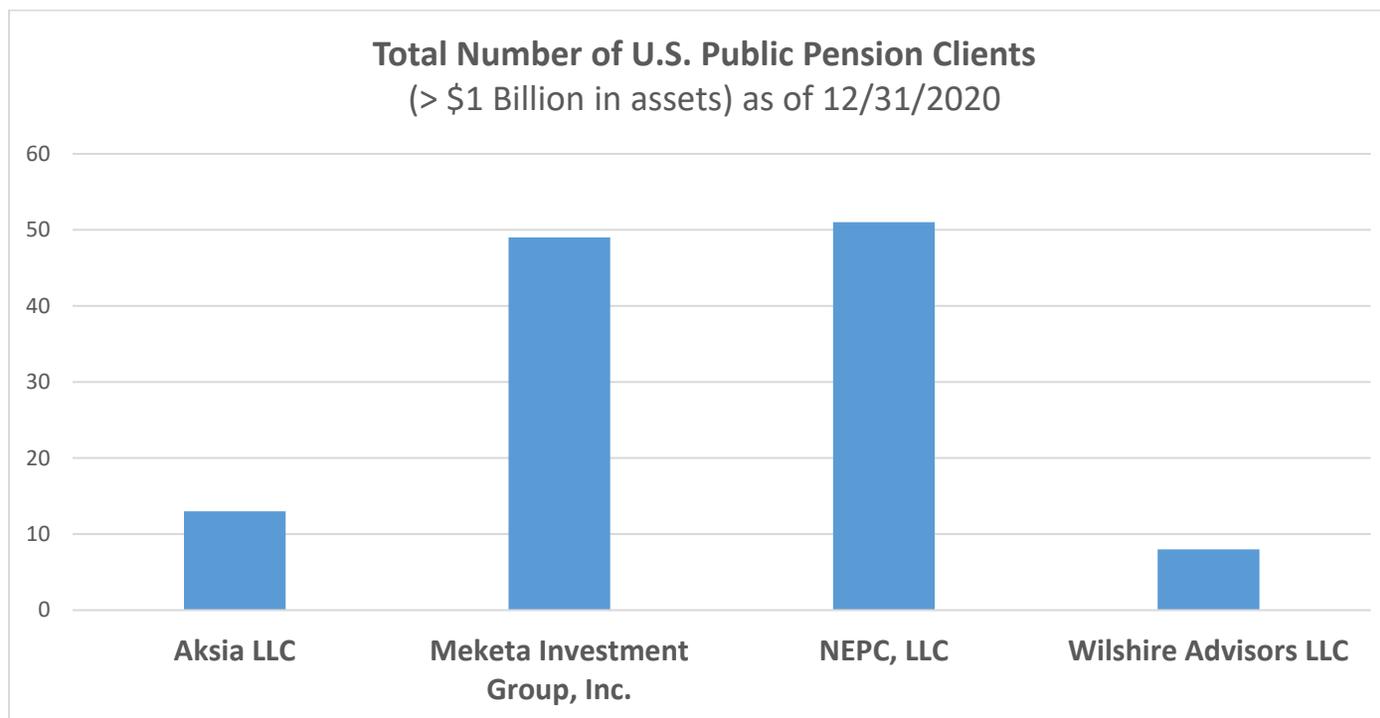
CONSULTANT FIRM PROFILE



*Note: NEPC's submission reported combined Private Credit and Private Equity Assets

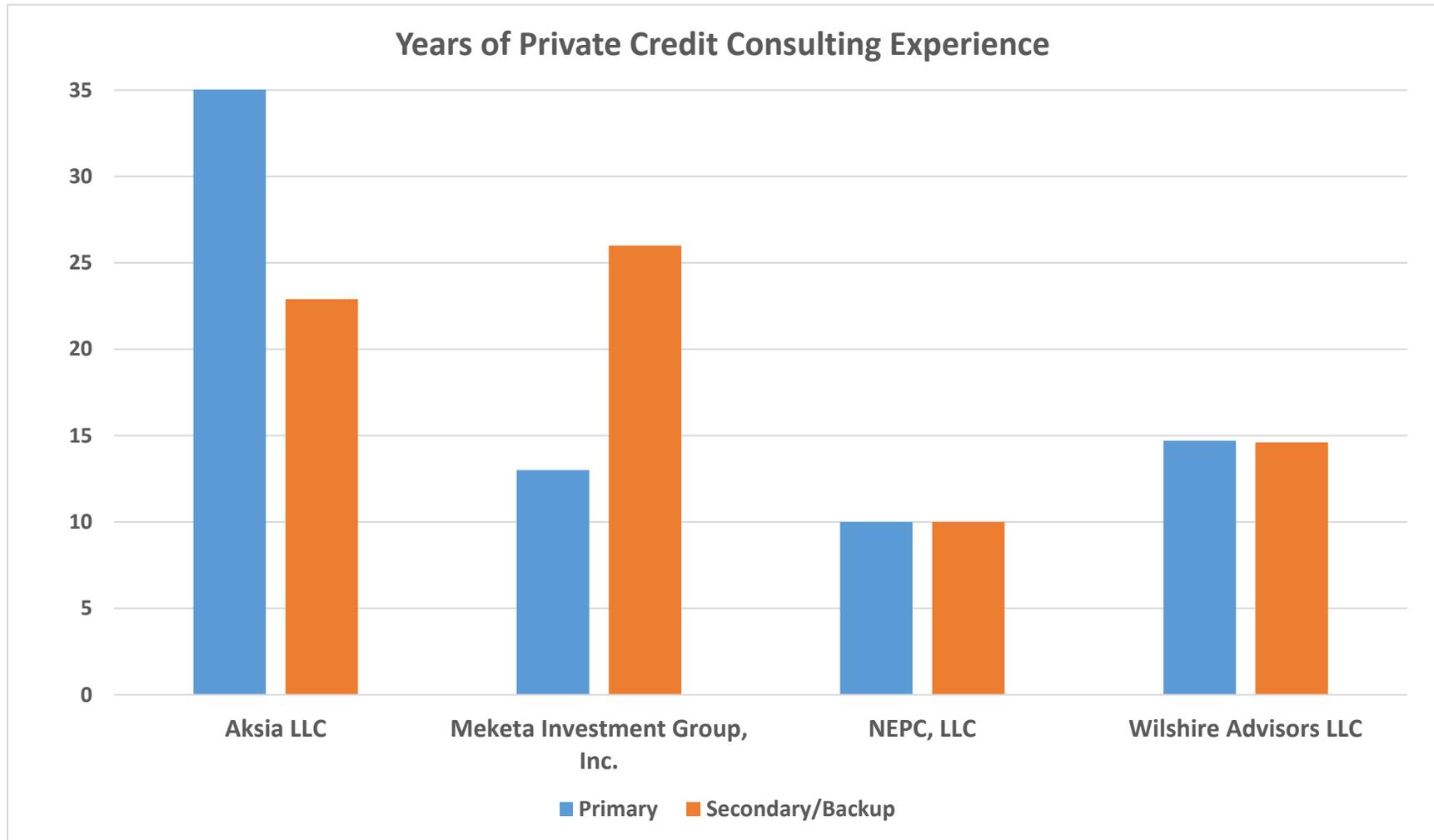


CONSULTANT FIRM PROFILE (cont.)



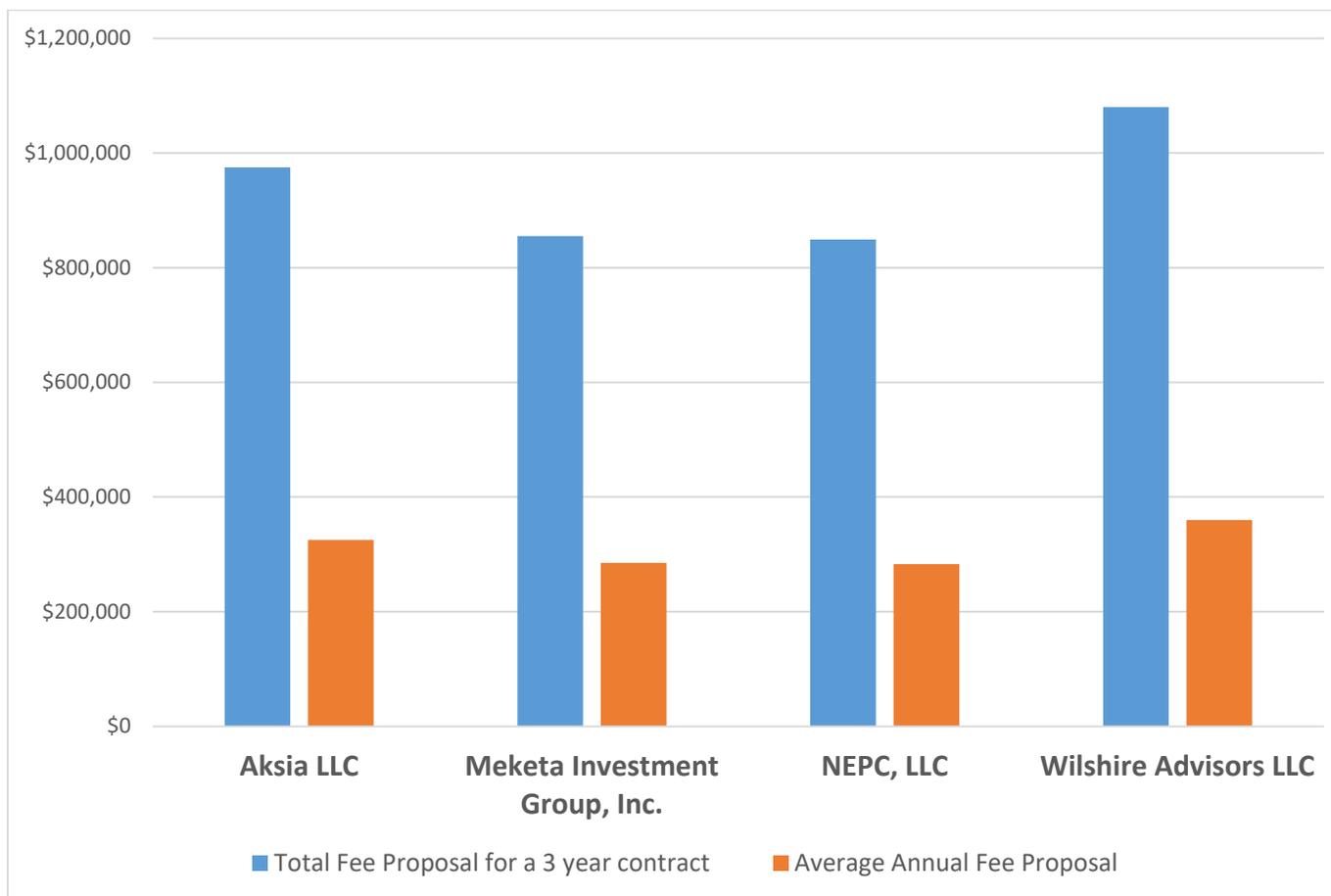


PROPOSED CONSULTING TEAM PROFILE





FULL-RETAINER TOTAL AND AVERAGE ANNUAL FEE PROPOSED





APPENDIX A

CONSULTING SCOPE OF SERVICES REQUESTED IN THE RFP

1. GENERAL

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



2. INVESTMENT SOURCING AND SELECTION

- 2.1. Develop a structured, on-going process to screen the global universe of available private credit investments and identify those opportunities which are consistent with LACERS' investment policy and private credit strategic investment plan; provide monthly reports to LACERS staff summarizing screening activity.
- 2.2. Evaluate prospective investments, including those that may be sourced by staff. If appropriate, engage in comprehensive due diligence that may include general partner site visits and background and reference checking. Consultant will utilize the manager search procedure approved in the investment policy.
- 2.3. Present investment recommendation reports to the Investment Committee, Board, and staff. Reports shall include, but not be limited to, full results of the Consultant's comprehensive due diligence, strategic considerations, partnership reviews, commitment amount, fees, and how the investments complement and/or fit into the overall private credit portfolio.
- 2.4. Provide assistance to staff and the Board's legal counsel to negotiate, in the best interests of LACERS, relevant fees and investment terms. The Board acknowledges that the Consultant is not providing any legal advice or consultation; the Board shall look solely to its legal counsel for such advice or consultation.

3. PORTFOLIO MANAGEMENT AND PERFORMANCE MEASUREMENT

- 3.1. Provide on-going monitoring and regular updates/assessments of relevant operational and/or strategic changes with investment managers, including, but not limited to, performance, organization, ownership, investment products, and disclosure issues. The Board shall retain the exclusive right to engage or terminate managers.
- 3.2. Ensure that investment managers comply with the terms of their contracts.
- 3.3. Notify the Board of any identified material issues that may impact investment performance and recommend a course of action to enhance returns or mitigate risk.
- 3.4. Assist and advise staff with work-out situations, breaches or violations of limited partnership and side letter provisions, and fund dissolutions as may arise.



- 3.5. Maintain information on portfolio exposure to vintage years, strategies, geographic diversification, and leverage by portfolio type.
- 3.6. Maintain historical information on all cash flow, net asset values, commitments (total, funded, and unfunded), fee payments, cost basis and returns on each investment.
- 3.7. Calculate performance metrics including IRR and multiple calculations measured against performance benchmarks.
- 3.8. Review capital calls and distribution notices.
- 3.9. Prepare quarterly performance reports for the total portfolio. The reports shall include, at a minimum: market overview and outlook, allocation breakdown by geography, strategy, update on each fund, listing of each fund by strategy, date of commitment to each fund, commitment amount to each fund, drawdown amounts by fund, outstanding commitment by fund, distribution amounts by fund, fund net asset values, and IRR and multiples of each fund.
- 3.10. Provide on-line, real-time client access to review cash flows and performance data by individual investment, strategy, and portfolio type.
- 3.11. Provide assistance with compiling appropriate information to satisfy public information requests or public reporting requirements in accordance with applicable state laws, including, without limitation, Cal. Govt. Code §6254.26(b) and Cal. Govt. Code §7514.7.
- 3.12. Provide market value, performance reconciliation and in-depth reporting, and verification of management fees and expenses.



APPENDIX B

SCORING CRITERIA FACTORS

1. ORGANIZATION (35%)

- a. Experience consulting to public pension plans
- b. Robust organization and complete build-out of all functional areas including consultant teams, research, compliance, back-office, reporting, technology, business continuity, etc.
- c. Adequate staffing commensurate with organizational size and client base
- d. Scope of services that meet or exceed LACERS' needs and expectations as outlined in Scope of Services
- e. Organizational and client stability
- f. Research Team
 - i. Experienced and well-resourced
 - ii. Accessible to LACERS staff
 - iii. Robust and can deliver research on a timely basis
 - iv. Comprehensive and thorough content
- g. Deal sourcing capabilities and due diligence
- h. Reports
 - i. Quality, usefulness, and frequency of research papers
 - ii. Quarterly performance and supplemental exhibits
 - iii. Depth, completeness, and credibility
- i. Recommendations
 - i. Customized based on client needs
 - ii. Defensible and sufficiently supported
 - iii. Clarity, convincing, strong substantiation
 - iv. Compliant to client investment policy and strategy
- j. Presence of a reasonable allocation policy
- k. Manages conflicts of interest
- l. Ability to ensure compliance and regulatory matters are adhered to

2. CONSULTANT TEAM (25%)

- a. Seasoned Primary, Secondary, and Back-up Consultants with robust work experience and comprehensive investment market knowledge
- b. Appropriate academic credentials and certifications
- c. Level of attention and accessibility to LACERS Board, Investment Committee, and staff
- d. Experience with similar public pension plans and working with Boards and Investment Committees



3. INVESTMENT PHILOSOPHY AND APPROACH (30%)

- a. Articulation of investment and consulting beliefs
- b. Understands role as a fiduciary to LACERS
- c. Demonstration of industry and thought leadership
- d. Visionary, innovative; sensitive to recalibrated market norms; seeks and explores all sources of alpha opportunities
- e. Flexibility in approach to achieving client goals and objectives
- f. Addresses and articulates investment risk factors in recommendations
- g. Sound investment manager selection process and due diligence
- h. Investment manager monitoring
- i. Sensitive to client's investment management expenses
- j. Development of appropriate investment policy and annual strategic plan

4. FEE PROPOSAL (10%)



Consultant Overview Matrix

Firm Information	Aksia LLC	Meketa Investment Group, Inc.	NEPC, LLC	Wilshire Advisors LLC
Headquarter Address	599 Lexington Avenue, 37th Floor, New York, NY 10022	80 University Avenue, Westwood, MA 02090	255 State Street, Boston MA 02109	1299 Ocean Avenue, Suite 700, Santa Monica, CA 90401
Ownership Structure	Private	Private	Private	Private
Establishment of Firm	2006	1978	1986	1984
Team Information				
Primary Consultant	David Fann	Mary Bates	Carolyn Smith	Bill Bracamontes
Title	Vice Chairman	Managing Principal	Partner	Managing Director
Degree(s)	B.A.S. Engineering and Economics, Stanford University	B.S. Business Administration, Indiana University	B.S. Finance, University of Utah	B.A. Economics, Stanford University
Designation(s)	-	-	-	-
Years with Firm	10	5	16	14
Meets Minimum Qualification of at Least 5 Years of Private Credit Consulting Experience	Yes	Yes	Yes	Yes
Secondary/Back-Up Consultant	Trevor Jackson	Tad Fergusson	Oliver Fadly	Jamie Gnall
Title	Managing Director	Managing Principal	Head of Private Debt Investments	Senior Vice President
Degree(s)	B.A. International Development, U.C. Berkeley	MBA, University of Oregon	B.A. History and Economics, Bates College	B.A. Economics, Vanderbilt University
Designation(s)	-	CFA	-	CFA
Years with Firm	1	25	10	6