

Investment Committee Agenda

REGULAR MEETING

TUESDAY, APRIL 8, 2025

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

MEETING LOCATION:

LACERS Boardroom
977 N. Broadway
Los Angeles, California 90012

Important Message to the Public

An opportunity for the public to address the Committee in person from the Boardroom and provide comment on items of interest that are within the subject matter jurisdiction of the Committee or on any agenda item will be provided at the beginning of the meeting and before consideration of items on the agenda.

Members of the public who do not wish to attend the meeting in person may listen to the live meeting via YouTube streaming at the following link: [LACERS Livestream](#).

Disclaimer to Participants

Please be advised that all LACERS Committee meetings are recorded.

LACERS Website Address/link:
www.LACERS.org

In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all of the Committee in advance of the meeting may be viewed by clicking on LACERS website at www.LACERS.org, at LACERS' offices, or at the scheduled meeting. In addition, if you would like a copy of a public record related to an item on the agenda, please call (213) 855-9348 or email at lacers.board@lacers.org.

Chair: Elizabeth Lee

Committee Members: Thuy Huynh
Gaylord "Rusty" Roten

Manager-Secretary: Todd Bouey

Executive Assistant: Ani Ghoukassian

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.

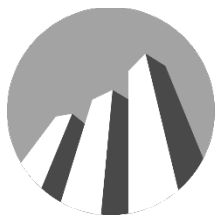
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Si requiere servicios de traducción, llámenos tres días (72 horas) antes de la reunión o evento al (800) 779-8328.

For additional information, please contact: Board of Administration Office at (213) 855-9348 and/or email at lacers.board@lacers.org.

[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
- II. [APPROVAL OF MINUTES FOR THE MEETING OF MARCH 11, 2025 AND POSSIBLE COMMITTEE ACTION](#)
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. [PRIVATE CREDIT PROGRAM BENCHMARK CHANGE AND POSSIBLE COMMITTEE ACTION](#)
- V. OTHER BUSINESS
- VI. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, May 13, 2025, at 10:30 a.m., or immediately following the Board Meeting in the LACERS Boardroom at 977 N. Broadway, Los Angeles, CA 90012-1728.
- VII. ADJOURNMENT



Board of Administration Agenda

SPECIAL MEETING

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President: Annie Chao
Vice President: Janna Sidley

Commissioners: Thuy T. Huynh
Elizabeth Lee
Gaylord "Rusty" Roten
Sung Won Sohn
Michael R. Wilkinson

Manager-Secretary: Todd Bouey

Executive Assistant: Ani Ghoukassian

Legal Counsel: City Attorney's Office
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- VII. ADJOURNMENT

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

March 11, 2025

12:52 p.m.

PRESENT:	Chair:	Elizabeth Lee
	Committee:	Thuy Huynh Gaylord "Rusty" Roten
	Legal Counselor:	Joshua Geller
	Manager-Secretary:	Todd Bouey
	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 – Chair Lee asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there were no public comment cards submitted.

II

APPROVAL OF MINUTES FOR THE MEETING OF JANUARY 14, 2025 AND POSSIBLE COMMITTEE ACTION – Committee Member Roten moved approval, and adopted by the following vote: Ayes, Committee Members Huynh, Roten, and Chair Lee -3; Nays, None.

III

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

- Distribution of Investment Committee Forward Calendar

IV

INVESTMENT MANAGER CONTRACT WITH MFS INSTITUTIONAL ADVISORS, INC. REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS GROWTH PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Barbara Sandoval, Investment Officer II, presented and discussed this item with the Committee for two minutes. Committee Member Roten

moved approval, and adopted by the following vote: Ayes, Committee Members Huynh, Roten, and Chair Lee -3; Nays, None.

Chair Lee recessed the Regular meeting at 12:57 p.m. to convene in Closed Session.

V

CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO LBA LOGISTICS VALUE FUND X, L.P. AND POSSIBLE COMMITTEE ACTION

Chair Lee reconvened the Regular meeting at 1:23 p.m.

VI

OTHER BUSINESS – There was no other business.

VII

NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, April 8, 2025, at 10:30 a.m. or immediately following the Board Meeting, in the LACERS Boardroom at 977 N. Broadway, Los Angeles, CA 90012-1728.

VIII

ADJOURNMENT – There being no further business before the Board, Chair Lee adjourned the meeting at 1:24 p.m.

Elizabeth Lee
Chair

Todd Bouey
Manager-Secretary



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO INVESTMENT COMMITTEE
From: Todd Bouey, Acting General Manager

MEETING: APRIL 8, 2025
ITEM: IV

SUBJECT: PRIVATE CREDIT PROGRAM BENCHMARK CHANGE AND POSSIBLE COMMITTEE ACTION

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

Recommendation

That the Committee recommend to the Board the adoption of the S&P UBS Leveraged Loan Index plus 200 basis points as the updated benchmark for LACERS' Private Credit Program.

Discussion

Staff recommends that the performance benchmark for LACERS' Private Credit Program within the context of LACERS total fund portfolio measurement be changed from the Credit Suisse Leveraged Loan (CSLL) Index Quarter Lag to the S&P UBS Leveraged Loan Index¹ plus 200 basis points. Staff discussed the potential benchmark change with LACERS' General Consultant, NEPC, LLC (NEPC), and Private Credit Consultant, Aksia LLC (Aksia); both are supportive of the change as reflected by recommendation documents from each consultant (attachments 1 and 2).

In the first iteration of LACERS' Private Credit Program, which began in 2018 under NEPC's guidance and before Aksia became LACERS' Private Credit Consultant in 2023, the Board approved the CSLL Index Quarter Lag benchmark. The CSLL benchmark, which tracked the performance of high quality institutional leveraged loans, was deemed to be appropriate at that time because the private credit funds considered and selected for LACERS' portfolio consisted primarily of lower risk, unlevered, direct lending strategies. As LACERS' Private Credit Program has evolved to include higher risk-adjusted return strategies under a revised Private Credit policy adopted in 2024, staff believes that a change to a more appropriate benchmark, the S&P UBS Leveraged Loan Index plus 200 basis points, provides a better fit with the corresponding liquidity premium and risk and return profile of the funds being considered for the current private credit portfolio. In fact, Aksia already measures the Private Credit Program against this same benchmark.

¹ Due to the acquisition of Credit Suisse by UBS in 2024, the Credit Suisse Leveraged Loan Indices are now known as the S&P UBS Leveraged Loan Indices.

Staff considered multiple options to implement the proposed benchmark change given the current state of LACERS' Private Credit Program. After discussions with NEPC, Aksia, and the performance measurement group of LACERS' custodian, The Northern Trust Company, staff recommends the adoption of the S&P UBS Leverage Loan Index plus 200 basis points become effective on July 1, 2025, for purposes of reporting Private Credit performance within the context of LACERS total portfolio fund level. Adopting the change on this date would ensure that both NEPC and Aksia use the same performance benchmark for the performance of LACERS' Private Credit Program and facilitates a simpler performance and operational break between previous and proposed benchmarks. Staff also recommends that the Board approve staff to make the applicable changes to any and all sections of the LACERS Investment Policy Manual as a result of the proposed benchmark change, effective July 1, 2025.

This recommendation is consistent with the Private Credit Program 2025 Strategic Plan adopted by the Board on January 28, 2025.

Prepared By: Clark Hoover, Investment Officer I, Investment Division

TB/RJ/WL/EC/CH:jp

Attachments:

1. NEPC Recommendation Memo
2. Aksia Recommendation Memo
3. Press Release on S&P Dow Jones Indices and UBS Launch Leveraged Loan Indices



To: Los Angeles City Employees' Retirement System

From: NEPC, LLC

Date: April 8, 2025

Subject: Private Credit Benchmark

Recommendation

NEPC supports LACERS Staff recommendation to change the benchmark for the Private Credit allocation to the S&P UBS Leveraged Loan Index + 200 bps.

Background

LACERS established a Private Credit allocation in late 2020 that focused primarily on senior secured direct lending strategies. At the time, the Credit Suisse Leveraged Loan Quarter Lag index was selected as the reference benchmark for the allocation.

The Private Credit allocation has since expanded beyond senior secured direct lending strategies and now includes exposures to a much broader opportunity set and targets a higher total return than was originally envisioned. For that reason, NEPC believes it is appropriate to adjust the benchmark to reflect the evolution of the Private Credit allocation. NEPC supports LACERS Staff recommendation to change the Private Credit benchmark to the S&P UBS Leveraged Loan Index + 200 bps benchmark going forward.

Memo

TO: Los Angeles City Employees' Retirement System ("LACERS")
FROM: Aksia LLC ("Aksia")
DATE: April 8, 2025
RE: LACERS Private Credit Benchmark Update

Summary

When the LACERS Private Credit portfolio was first established in 2020, it comprised three separately managed accounts (SMAs)—Benefit Street Partners SMA, Crescent LACERS SMA Partnership, and Monroe Capital Private Credit Fund—each focused on core middle market direct lending. The private credit program's mandate was updated in 2024 to include a more diversified construct that incorporated middle market direct lending strategies and more specialized private credit strategies, such as real estate credit, real assets credit, distressed/special situations, and specialty finance.

Given the portfolio's expanding exposure, Aksia believes the S&P UBS Leveraged Loan Index plus a 200bps spread is a reasonable and appropriate benchmark. Below please find long-term target portfolio/sector allocations for the LACERS private credit portfolio as well as the current portfolio allocation.

	<i>Strategy</i>	<i>Target %</i>	<i>Actual Portfolio %</i>
Core	<i>Direct Lending</i>	<i>40-70%</i>	<i>100%</i>
	<i>Real Assets Credit / Real Estate Credit</i>	<i>20-40%</i>	<i>0%</i>
Satellite	<i>Distressed/Special Situations</i>	<i>0-30%</i>	<i>0%</i>
	<i>Specialty Finance</i>	<i>0-25%</i>	<i>0%</i>

* Data as of June 30, 2024

Conclusion

Overall, Aksia concurs with NEPC (LACERS' general consultant) and LACERS' staff that the S&P UBS Leveraged Loan Index + 200bps serves as an adequate target benchmark, particularly as LACERS moves further up the risk spectrum in the private credit program.

S&P Dow Jones Indices and UBS Launch S&P UBS Leveraged Loan Indices

NEW YORK, Dec. 4, 2024 /PRNewswire/ -- S&P Dow Jones Indices ("S&P DJI"), the world's leading index provider, in collaboration with UBS, today announced the launch of the S&P UBS Leveraged Loan Indices, previously known as the Credit Suisse Leveraged Loan Indices, which measure the performance of and provide insight on various global loan markets by leveraging S&P Global Market Intelligence's industry leading reference and pricing data for loans.

The S&P UBS Leveraged Loan Indices are designed to represent and measure the investable universe of U.S. dollar (USD), Euro (EUR) and British sterling (GBP) denominated leveraged loans. S&P DJI will be the exclusive publisher, calculator, administrator, and licensor of the index family. Spanning more than 2,000 indices covering USD 1.6 trillion in market value, this established suite builds upon S&P DJI's expertise in index administration and commercialization while combining UBS' complimentary loan indexing solutions with S&P DJI's existing fixed income index offering.

S&P Dow Jones Indices

A Division of **S&P Global**

"Since the 1990's, the S&P UBS Leveraged Loan Indices have served a critical role as a leading loan benchmark across the U.S. and Europe, contributing to greater liquidity, transparency and accessibility for market participants," said Frans Scheepers, Head of Fixed Income, Currency and Commodity Products at S&P Dow Jones Indices. "As S&P DJI continues to see demand for indexing solutions within the Leveraged Finance space, this suite of indices is expected to remain a critical component of this growth and further expand this ecosystem through loan benchmarking, performance measurement and index-linked products."

The U.S. leveraged loan market has grown significantly over the last decade, from nearly USD 400 million to USD 1.3 trillion, as defined by the iBoxx USD Leveraged Loan Index, now rivaling the U.S. high yield bond market. This has been alongside the growth of the broader loan ecosystem, which includes index-linked products and derivatives in the loan space.

Dushyant Chadha, Global Head of Derivatives and Solutions at UBS, commented: "We are excited to collaborate with S&P DJI to further develop the S&P UBS Leveraged Loan Indices, the leading leveraged loan market benchmarks for over 30 years. By capitalizing on the strength of UBS' loans franchise and S&P DJI's position as a leading index provider, our clients and other market participants can look to these indices to continue to provide market leading insight and price data for loans."

The launch of the S&P UBS Leveraged Loan Indices follows S&P DJI's announcement in early November that it had reached an agreement with UBS with respect to this suite of leveraged loan indices. Following the successful completion of the transition period, the indices, previously legacy Credit Suisse indices, are being rebranded as the S&P UBS Leveraged Loan Indices. In addition, S&P DJI's iBoxx USD Leveraged Loan Indices will also be folded into the S&P UBS Leveraged Loan Index suite in 2025.

Looking ahead, S&P DJI and UBS plan to enhance the depth and breadth of available leveraged loan index offerings to investors and market participants globally to further expand potential use cases within the broader

ecosystem.

For more information about the S&P UBS Leveraged Loan Indices, please visit:
<https://www.spglobal.com/spdji/en/>.

For more information about UBS, please visit <https://www.ubs.com/us/en.html>.

ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500[®] and the Dow Jones Industrial Average[®]. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

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SOURCE S&P Dow Jones Indices

<https://press.spglobal.com/2024-12-04-S-P-Dow-Jones-Indices-and-UBS-Launch-S-P-UBS-Leveraged-Loan-Indices>