



Investment Committee Agenda

REGULAR MEETING

TUESDAY, APRIL 13, 2021

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

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 Investment Committee's April 13, 2021, meeting will be conducted via telephone and/or videoconferencing.

Important Message to the Public
Information to call-in to listen and/or participate:

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

Meeting ID# 852 3848 7798

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 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).

Chair: Sung Won Sohn

Committee Members: Elizabeth Lee
Nilza R. Serrano

Manager-Secretary: Neil M. Guglielmo

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.

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.ghoukassian@lacers.org.

Disclaimer to Participants

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

[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 MARCH 9, 2021 AND POSSIBLE COMMITTEE ACTION](#)
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. [CONTRACTS WITH NORTHERN TRUST COMPANY REGARDING MASTER CUSTODIAL SERVICES, SECURITIES LENDING, AND ANCILLARY SERVICES AND POSSIBLE COMMITTEE ACTION](#)
- V. [DISCUSSION OF PROPOSED AMENDMENT TO EMERGING INVESTMENT MANAGER POLICY AND POSSIBLE COMMITTEE ACTION](#)
- VI. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO WOLFF CREDIT PARTNERS III, L.P. AND POSSIBLE COMMITTEE**
- VII. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO KAYNE ANDERSON CORE REAL ESTATE, L.P. AND POSSIBLE COMMITTEE**
- VIII. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO LION INDUSTRIAL TRUST AND POSSIBLE COMMITTEE**
- IX. OTHER BUSINESS
- X. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, May 11, 2021, at 10:30 a.m., or immediately following the Board Meeting, 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/Committee meetings while response to public health concerns relating to the novel coronavirus continue.
- XI. ADJOURNMENT



Board of Administration Agenda

SPECIAL MEETING

TUESDAY, APRIL 13, 2021

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

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 Investment Committee's April 13, 2021, meeting will be conducted via telephone and/or videoconferencing.

Important Message to the Public

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

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

Meeting ID# 852 3848 7798

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).

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.

Disclaimer to Participants

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

[**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 MARCH 9, 2021 AND POSSIBLE COMMITTEE ACTION
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. CONTRACTS WITH NORTHERN TRUST COMPANY REGARDING MASTER CUSTODIAL SERVICES, SECURITIES LENDING, AND ANCILLARY SERVICES AND POSSIBLE COMMITTEE ACTION
- V. DISCUSSION OF PROPOSED AMENDMENT TO EMERGING INVESTMENT MANAGER POLICY AND POSSIBLE COMMITTEE ACTION
- VI. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO WOLFF CREDIT PARTNERS III, L.P. AND POSSIBLE COMMITTEE ACTION**
- VII. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO KAYNE ANDERSON CORE REAL ESTATE, L.P. AND POSSIBLE COMMITTEE ACTION**
- VIII. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO LION INDUSTRIAL TRUST AND POSSIBLE COMMITTEE ACTION**
- IX. OTHER BUSINESS
- X. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, May 11, 2021, at 10:30 a.m., or immediately following the Board Meeting, 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/Committee meetings while response to public health concerns relating to the novel coronavirus continue.
- XI. ADJOURNMENT

MINUTES OF THE REGULAR MEETING
INVESTMENT COMMITTEE
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 Investment Committee
March 9, 2021, Regular meeting was conducted
via telephone and/or videoconferencing

March 9, 2021

11:55 a.m.

PRESENT via Videoconferencing: Chair:	Sung Won Sohn
Committee Member:	Elizabeth Lee Nilza R. Serrano
Manager-Secretary:	Neil M. Guglielmo
Legal Counselor:	James Napier
PRESENT at LACERS offices: Executive Assistant:	Ani Ghokassian

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 and no public comment cards received.

II

APPROVAL OF MINUTES FOR THE MEETING OF FEBRUARY 9, 2021 AND POSSIBLE COMMITTEE ACTION – Committee Member Serrano moved approval, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee, Serrano, Chair Sohn -3; Nays, None.

III

CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, presented the Committee with the forward calendar. Mr. June also stated that staff will return to the Investment Committee at a future meeting with additional information regarding the private equity benchmark and an implementation plan.

IV

TACTICAL ASSET ALLOCATION POLICY AND STATUS REPORT AND POSSIBLE COMMITTEE ACTION – Rod June, Chief Investment Officer, Bryan Fujita, Investment Officer III, and James Wang, Investment Officer I, presented and discussed this item with the Committee for 45 minutes. Committee Member Elizabeth Lee moved approval, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee, Serrano, and Chair Sohn-3; Nays, None.

Chair Sohn recessed the Regular Meeting at 12:47 p.m. to convene in Closed Session discussion.

V

CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO GLP CAPITAL PARTNERS IV LP AND POSSIBLE COMMITTEE ACTION

Chair Sohn reconvened the Regular Meeting at 1:17 p.m. and announced that the Committee approved the Closed Session Investment item.

VI

OTHER BUSINESS – There was no other business.

VII

NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, April 13, 2021, at 10:30 a.m. or immediately following the Board Meeting, 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/Committee meetings while responding to public health concerns relating to the novel coronavirus continue.

VIII

ADJOURNMENT – There being no further business before the Committee, Chair Sohn adjourned the meeting at 1:17 p.m.

Sung Won Sohn
Chair

Neil M. Guglielmo
Manager-Secretary



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

MEETING: APRIL 13, 2021
ITEM: IV

Neil M. Guglielmo

SUBJECT: CONTRACTS WITH NORTHERN TRUST COMPANY REGARDING MASTER CUSTODIAL SERVICES, SECURITIES LENDING, AND ANCILLARY SERVICES AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Investment Committee recommend to the Board three-year renewals of the contracts with The Northern Trust Company for the following services: master custody, securities lending, performance reporting and risk analytics, compliance analytics, private monitor analytics, integrated disbursements, and fair value reporting.

Executive Summary

The Northern Trust Company (Northern Trust) has provided LACERS with domestic and international master trust/custodial services since 1991. Staff is satisfied with Northern Trust's services and recommends three-year contract renewals with the intent of releasing a Request for Information (RFI) in year two (Fiscal Year 2022-2023) of the contract extension to evaluate the marketplace for custodial services.

Discussion

Background

Northern Trust has provided LACERS with domestic and international master trust/custodial services since 1991. These services include: i) securities safekeeping, settlement, and valuation; ii) performance reporting and risk analytics; iii) foreign exchange execution; iv) collection of income, interest and distributions and processing of benefit payments and capital calls; v) administration of the Limited Term Retirement Plan and the Securities Lending Program; and vi) access to an online management/accounting and information system.

On September 29, 2014, the Board issued a Master Trust/Custodial Services and Securities Lending Request for Proposal (RFP) to evaluate the marketplace of service providers. Northern Trust participated in this RFP and was awarded three-year contracts on April 28, 2015; all contracts became effective on August 1, 2015, with the exception of the securities lending contract, which became

effective on September 1, 2015. On February 27, 2018, the Board approved three-year renewals to these contracts, all of which expire on July 31, 2021.

Organization

Northern Trust is a subsidiary of Northern Trust Corporation, a publicly held bank (ticker: NTRS) based in Chicago. Northern Trust Corporation has more than 20 international locations and approximately 19,000 employees. As of December 31, 2020, the bank had \$11.2 trillion in assets under custody.

The primary client relationship team assigned to LACERS consists of Gary Guibert, Senior Vice President, Anton J. Britton, Senior Vice President, and Zachary Smedsrud, Senior Client Service Manager. Staff is satisfied with the level of service provided by Northern Trust for meeting LACERS' needs.

Fees

The fees for Northern Trust's services are as follows:

Fixed Fees: Performance Reporting - \$20,000 per year
 Fair Value Reporting - \$3,000 per year

Variable Fees: Short Term Investment Fund (STIF) - 7 basis points of the average daily balance in STIF per year
 Securities Lending - 85%-15% split between LACERS and Northern Trust, respectively, of revenue earned
 Private Monitor - \$500 per fund per year (service currently not utilized)
 Integrated Disbursements - \$176,377 for the calendar year ending December 31, 2020 (this fee is calculated against the actual number of retirees per month)

Since August 1, 2015, the inception date of the current contracts, LACERS has paid Northern Trust a total of \$9,922,316 in fees as detailed in the table below.

Total Fees Paid since August 1, 2015	
Performance Reporting	\$156,625
Fair Value Reporting	\$14,250
STIF	\$1,399,467
Securities Lending	\$6,976,650
Private Monitor	\$0 (service currently not utilized)
Integrated Disbursements	\$1,375,324
Total Fees Paid	\$9,922,316

Staff recommends renewing the contracts with Northern Trust. Staff anticipates issuing an RFI to test the marketplace for custodial services in year two (Fiscal Year 2022-2023) of the proposed contract renewal period.

Strategic Alignment

Renewing the contract for master trust/custodial services provided by Northern Trust aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

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

NMG/RJ/BF/JW:jp



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: APRIL 13, 2021
ITEM: V

Neil M. Guglielmo

**SUBJECT: DISCUSSION OF PROPOSED AMENDMENT TO EMERGING INVESTMENT
MANAGER POLICY AND POSSIBLE COMMITTEE ACTION**

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Investment Committee consider and provide comments regarding the proposed revisions to the Emerging Investment Manager 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 annual IP review, staff, LACERS' general fund consultant, NEPC, LLC; LACERS' private equity consultant, Aksia TorreyCove Partners LLC; and LACERS' private real estate consultant, The Townsend Group, propose amendments to the Emerging Investment Manager Policy (Policy), as contained in the attached redline document (Attachment 1). These amendments are intended to update the emerging investment manager qualifying criteria for Public and Private Market Asset Classes. Staff requests that the Committee consider the proposed amendments and provide comments as appropriate.

Attachment 4 contains the Research, Education and Outreach section that the Governance Committee approved at its February 23, 2021 meeting. This section has been provided to the Investment Committee for reference only; it will be brought forth for Board approval at a later date.

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: Clark Hoover, Investment Officer I, Investment Division

NMG/RJ/BF/WL/CH:jp

- Attachments:
1. Emerging Manager Investment Policy – Proposed Revisions (Redline Version)
 2. Emerging Manager Investment Policy – Proposed Revisions (Clean Version)
 3. Emerging Manager Investment Policy – Current Board Approved Version
 4. Emerging Manager Investment Policy – Proposed Revisions Approved by Governance Committee

IX. EMERGING INVESTMENT MANAGER POLICY

A. Policy Objectives

The objective of this Emerging Investment Manager Policy (“Policy”) is to identify investment firms with the potential to add value to the LACERS investment portfolio (“Fund”) that would otherwise not be identified by the standard LACERS institutional investment manager search process. The Board believes that smaller investment management organizations may generate superior performance returns because of the increased market flexibility associated with smaller asset bases. The Policy provides criteria for LACERS to identify appropriate investment management organizations in their early business stages.

Consistent with the Board’s fiduciary responsibility, the goal of this Policy is to locate and fund emerging investment managers with successful histories of generating positive alpha at an appropriate level of active risk. LACERS may consider an emerging investment manager mandate as part of any investment manager search undertaken by the Board, after Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate.

The Board recognizes that emerging investment managers may not possess the organizational depth and resources of larger investment management firms, and may represent a greater business risk. The Board also recognizes that prudent management of the System requires that emerging investment managers, once retained, will manage significantly smaller amounts of LACERS’ assets than larger investment management firms. Each of these issues will result in greater oversight and administrative responsibilities for LACERS’ staff, and will consequently be part of the evaluation whenever emerging investment managers are being considered for inclusion in a manager search.

Managers hired pursuant to this Emerging Investment Manager Policy will be held accountable to the same performance, reporting, and retention standards as all other LACERS investment managers within the same asset class.

B. Emerging Investment Manager Goals

Public Markets: The Emerging Investment Manager aspirational policy goal for public market asset classes is no less than 10%, provided that Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate . Two metrics will be calculated at least annually to compare actual results versus the goal: 1) Asset Class Metric: total market value of all emerging investment managers accounts within a respective public market asset class divided by total market value of the respective public market asset class; and 2) Manager Search Metric: total dollars approved for contract with an Emerging Manager(s) divided by the total dollars approved for funding the respective investment manager search.

Private Markets: The Emerging Investment Manager aspirational policy goal for private market asset classes is no less than 10%, provided that Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate. Two metrics will be calculated at least annually to compare actual results versus the goal: 1) Asset Class Metric: total dollar commitments of all emerging investment manager partnerships within a respective asset class divided by the total dollar market value of the respective asset class; and 2) Manager Search Metric: total dollar commitments provided to Emerging Managers within a specific private market asset class divided by the total dollar value of all investment commitments in the same private market asset class over rolling 36-month periods.

C. Emerging Investment Manager ~~Minimum~~ Criteria

The following ~~are minimum~~ criteria for firms to ~~gain status at~~ qualify as LACERS ~~as an~~ Emerging Investment Manager ~~status under this Policy are as follows~~:

1. Public Market Asset Classes – U.S. Equities, Non-US Equities, Core Fixed Income, Credit Opportunities, and Real Assets
 - a) Firm Assets Under Management: The firm will have no more than \$2 billion in total firm assets under management at the time of hire.
 - b) Strategy Assets Under Management: The firm must have a minimum of \$50 million assets under management in the strategy being considered.
 - c) Formation Date: The firm, if formed as a result of an organizational spin-out of at least a majority of the key investment team senior-level professionals, must have been in existence for a minimum of six months based on the entity's legal formation documents; otherwise the firm must have been in existence for a minimum of one year based on the entity's legal formation documents.
 - d) Track Record: The portfolio manager must have a minimum of five years of verifiable experience managing the strategy being considered. The experience must include a GIPS-compliant performance track history attributable to the portfolio manager for the most recent 36-month period of the five-year verifiable experience requirement.
 - e) Firm Ownership: No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.
 - f) Maximum LACERS' Allocation: At the time of hire, funding in the investment strategy shall not exceed 20% of the total strategy AUM at the time of actual funding.
2. Private Market Asset Classes – Private Equity, Real Assets (not including Private Real Estate), Credit Opportunities
 - a) Institutional Fund: First- or second-time institutional fund for a General Partner.

- ~~a)b)~~ Maximum Fund Size: A first-time institutional fund may have investor commitments of no more than \$750 million, \$1 billion for a second-time institutional fund, and \$1.25 billion for a third-time institutional fund.~~The General Partner will have no more than \$1 billion in firm-wide assets (based on the fair market value) of the previous fund at the time staff concurred on the proposed commitment plus the current amount of the drawdown commitment of the previous fund.~~
- ~~b)~~ First- or second-time institutional fund for a General Partner.
- ~~c)~~ The Fund shall have a minimum fund size of \$100 million in committed capital inclusive of LACERS' pending commitment.*
- ~~d)c)~~ Formation Date: The firm, if formed as a result of an organizational spin-out of at least a majority of the key investment team senior-level professionals, must have been in existence for a minimum of six months based on the entity's legal formation documents; otherwise the firm must have been in existence for a minimum of one year based on the entity's legal formation documents.
- ~~e)d)~~ Track Record: The firm must have a minimum track record of five years. Any firm with a track record of less than five years may utilize track records established at prior firms when performance can be clearly attributed to the emerging firm's key individuals and/or the specific team associated with the strategy being considered.
- ~~f)e)~~ Firm Ownership: No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.
- ~~f)~~ LP Concentration: No Limited Partner can represent more than 30% of the total Fund's* committed capital.*
- ~~g)~~ Minimum Fund Size: The Fund shall have a minimum fund size of \$100 million in committed capital inclusive of LACERS' pending commitment.* For a venture capital fund strategy, the Fund shall have a minimum fund size of \$75 million in committed capital inclusive of LACERS' pending commitment.*
- ~~g)h)~~ Maximum LACERS' Commitment: LACERS' commitment in the strategy being considered shall not exceed 10% of the projected final closing fund size or \$30 million, whichever is lower.

**Excludes co-investments or sidecar investment vehicles.*

3. Private Market Asset Class – Private Real Estate

- ~~a)~~ The General Partner will have no more than \$2 billion in firm-wide assets (based on the fair market value) of the previous fund at the time staff concurred on the proposed commitment plus the current amount of the drawdown commitment of the previous fund.
- ~~b)a)~~ Institutional Fund: First- or second-time institutional fund for a given General Partner.

- b) Maximum Fund Size: The institutional fund may have investor commitments of no more than \$2 billion.
- ~~e) The Fund shall have a minimum fund size of \$150 million in committed capital inclusive of LACERS pending commitment.*~~
- ~~d)c) Formation Date: The firm, if formed as a result of an organizational spin-out of at least a majority of the key investment team senior-level professionals, must have been in existence for a minimum of six months based on the entity's legal formation documents; otherwise the firm must have been in existence for a minimum of one year based on the entity's legal formation documents.~~
- ~~e)d) Track Record: The firm must have a minimum track record of five years. Any firm with a track record of less than five years may utilize track records established at prior firms when performance can be clearly attributed to the emerging firm's key individuals and/or the specific team associated with the strategy being considered.~~
- ~~f)e) Firm Ownership: No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.~~
- ~~f) LP Concentration: No ~~client~~ Limited Partner can represent more than 30% of the total Fund's* capital.*~~
- ~~g) Minimum Fund Size: The Fund shall have a minimum fund size of \$150 million in committed capital inclusive of LACERS pending commitment.*~~
- ~~g)h) Maximum LACERS' Commitment: LACERS' commitment in the strategy being considered shall not exceed 10% of the projected final closing fund size or \$30 million, whichever is lower. LACERS' commitment in the strategy for second- and third-time institutional funds shall not exceed 20% of the projected final fund closing size or \$40 million, whichever is lower.~~

**Excludes co-investments or sidecar investments.*

D. Provisions for Post-Emerging Firms

1. Public Markets

LACERS expects that successful emerging investment management firms will grow beyond the maximum \$2 billion in assets under management. An emerging investment manager firm under contract to LACERS that successfully grows its assets under management and meets the minimum investment manager search criteria may be considered for a larger-sized mandate subject to (at minimum) meeting the Manager Search and Selection Criteria provided in the LACERS Manager Search and Selection Policy (Section VII of this document).

2. Private Markets

LACERS expects that successful emerging investment management firms will grow beyond raising first-~~and~~ second-and third-time partnership funds. Opportunities for

participating in subsequent funds may be considered provided that the strategy meets the criteria of LACERS' Private Equity Investment Policy, Private Real Estate Investment Policy, Credit Opportunities Strategy Statement, or another asset class policy unique to a respective private markets mandate.

E. Reporting

Staff will report to the Board on the status of Emerging Investment Managers hired and retained on an annual calendar year basis. The annual report will include:

1. Names of Emerging Investment Manager firms hired during the calendar year.
2. Dollar amounts awarded to Emerging Managers.
3. Report of Emerging Investment Manager Goals Metrics pursuant to Section IX.B of this Policy.
4. List of all investment manager searches.
5. Staff and consultant efforts to increase the visibility of LACERS Emerging Investment Manager searches and Emerging Investment Manager representation within the total Fund portfolio.
6. Individual manager performance.

EMERGING INVESTMENT MANAGER POLICY

A. Policy Objectives

The objective of this Emerging Investment Manager Policy (“Policy”) is to identify investment firms with the potential to add value to the LACERS investment portfolio (“Fund”) that would otherwise not be identified by the standard LACERS institutional investment manager search process. The Board believes that smaller investment management organizations may generate superior performance returns because of the increased market flexibility associated with smaller asset bases. The Policy provides criteria for LACERS to identify appropriate investment management organizations in their early business stages and discusses research objectives and options available to assist the Board with that identification.

Consistent with the Board’s fiduciary responsibility, the goal of this Policy is to locate and fund emerging investment managers with successful histories of generating positive alpha at an appropriate level of active risk. LACERS may consider an emerging investment manager mandate as part of any investment manager search undertaken by the Board, after Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate.

The Board recognizes that emerging investment managers may not possess the organizational depth and resources of larger investment management firms, and may represent a greater business risk. The Board also recognizes that prudent management of the System requires that emerging investment managers, once retained, will manage significantly smaller amounts of LACERS’ assets than larger investment management firms. Each of these issues will result in greater oversight and administrative responsibilities for LACERS’ staff, and will consequently be part of the evaluation whenever emerging investment managers are being considered for inclusion in a manager search.

Managers hired pursuant to this Emerging Investment Manager Policy will be held accountable to the same performance, reporting, and retention standards as all other LACERS investment managers within the same asset class.

B. Emerging Investment Manager Goals

Public Markets: The Emerging Investment Manager aspirational policy goal for public market asset classes is no less than 10%, provided that Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate. Two metrics will be calculated at least annually to compare actual results versus the goal: 1) Asset Class Metric: total market value of all emerging investment managers accounts within a respective public market asset class divided by total market value of the respective public market asset class; and 2) Manager Search Metric: total dollars approved for contract with an Emerging Manager(s) divided by the total dollars approved for funding the respective investment manager search.

Private Markets: The Emerging Investment Manager aspirational policy goal for private market asset classes is no less than 10%, provided that Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate. Two metrics will be calculated at least annually to compare actual results versus the goal: 1) Asset Class Metric: total dollar commitments of all emerging investment manager partnerships within a respective asset class divided by the total dollar market value of the respective asset class; and 2) Manager Search Metric: total dollar commitments provided to Emerging Managers within a specific private market asset class divided by the total dollar value of all investment commitments in the same private market asset class over rolling 36-month periods.

C. Emerging Investment Manager Criteria

The following are criteria for firms to gain status at LACERS as an Emerging Investment Manager:

1. Public Market Asset Classes – U.S. Equities, Non-US Equities, Core Fixed Income, Credit Opportunities and Real Assets
 - a) Firm Assets Under Management: The firm will have no more than \$2 billion in total firm assets under management at the time of hire.
 - b) Strategy Assets Under Management: The firm must have a minimum of \$50 million assets under management in the strategy being considered.
 - c) Formation Date: The firm, if formed as a result of an organizational spin-out of at least a majority of the key investment team senior-level professionals, must have been in existence for six months based on the entity's legal formation documents; otherwise the firm must have been in existence for a minimum of one year based on the entity's legal formation documents.
 - d) Track Record: The portfolio manager must have a minimum of five years of verifiable experience managing the strategy being considered. The experience must include a GIPS-compliant performance track history attributable to the portfolio manager for the most recent 36-month period of the five-year verifiable experience requirement.
 - e) Firm Ownership: No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.
 - f) Maximum LACERS' Allocation: At the time of hire, funding in the investment strategy shall not exceed 20% of the total strategy AUM at the time of actual funding.
2. Private Market Asset Classes – Private Equity, Real Assets (not including Private Real Estate), Credit Opportunities
 - a) Institutional Fund: First-, second-, or third-time institutional fund for a General Partner.

- b) Maximum Fund Size: A first-time institutional fund may have investor commitments of no more than \$750 million, \$1 billion for a second-time institutional fund, and \$1.25 billion for a third-time institutional fund.
- c) Formation Date: The firm, if formed as a result of an organizational spin-out of at least a majority of the key investment team senior-level professionals, must have been in existence for a minimum of six months based on the entity's legal formation documents; otherwise the firm must have been in existence for a minimum of one year based on the entity's legal formation documents.
- d) Track Record: The firm must have a minimum track record of five years. Any firm with a track record of less than five years may utilize track records established at prior firms when performance can be clearly attributed to the emerging firm's key individuals and/or the specific team associated with the strategy being considered.
- e) Firm Ownership: No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.
- f) LP Concentration: No Limited Partner can represent more than 30% of the total Fund's committed capital.*
- g) Minimum Fund Size: The Fund shall have a minimum fund size of \$100 million in committed capital inclusive of LACERS' pending commitment. For a venture capital fund strategy, the Fund shall have a minimum fund size of \$75 million in committed capital inclusive of LACERS pending commitment.*
- h) Maximum LACERS' Commitment: LACERS' commitment in the strategy being considered shall not exceed 10% of the projected final closing fund size or \$30 million, whichever is lower.

**Excludes co-investments or sidecar investment vehicles.*

3. Private Market Asset Class – Private Real Estate

- a) Institutional Fund: First-, second-, or third-time institutional fund for a General Partner.
- b) Maximum Fund Size: The institutional fund may have investor commitments of no more than \$2 billion.
- c) Formation Date: The firm, if formed as a result of an organizational spin-out of at least a majority of the key investment team senior-level professionals, must have been in existence for six months based on the entity's legal formation documents; otherwise the firm must have been in existence for a minimum of one year based on the entity's legal formation documents.
- d) Track Record: The firm must have a minimum track record of five years. Any firm with a track record of less than five years may utilize track records established at

prior firms when performance can be clearly attributed to the emerging firm's key individuals and/or the specific team associated with the strategy being considered.

- e) Firm Ownership: No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.
- f) LP Concentration: No Limited Partner can represent more than 30% of the total Fund's capital.*
- g) Minimum Fund Size: The Fund shall have a minimum fund size of \$150 million in committed capital inclusive of LACERS pending commitment.*
- h) Maximum LACERS' Commitment: LACERS' commitment in the strategy being considered shall not exceed 10% of the projected final closing fund size or \$30 million, whichever is lower. LACERS' commitment in the strategy for a second and third-time institutional funds shall not exceed 20% of the projected final fund closing size or \$40 million, whichever is lower.

**Excludes co-investments or sidecar investments.*

D. Provisions for Post-Emerging Firms

1. Public Markets

LACERS expects that successful emerging investment management firms will grow beyond the maximum \$2 billion in assets under management. An emerging investment manager firm under contract to LACERS that successfully grows its assets under management and meets the minimum investment manager search criteria may be considered for a larger-sized mandate subject to (at minimum) meeting the Manager Search and Selection Criteria provided in the LACERS Manager Search and Selection Policy (Section VII of this document).

2. Private Markets

LACERS expects that successful emerging investment management firms will grow beyond raising first-, second-, and third-time partnership funds. Opportunities for participating in subsequent funds may be considered provided that the strategy meets the criteria of LACERS' Private Equity Investment Policy, Private Real Estate Investment Policy, Credit Opportunities Strategy Statement, or another asset class policy unique to a respective private markets mandate.

E. Reporting

Staff will report to the Board on the status of Emerging Investment Managers hired and retained on an annual calendar year basis. The annual report will include:

- 1. Names of Emerging Investment Manager firms hired during the calendar year.
- 2. Dollar amounts awarded to Emerging Managers.
- 3. Report of Emerging Investment Manager Goals Metrics pursuant to Section IX.B of this Policy.

4. List of all investment manager searches.
5. Staff and consultant efforts to increase the visibility of LACERS Emerging Investment Manager searches and Emerging Investment Manager representation within the total Fund portfolio.
6. Individual manager performance.

Section 4 EMERGING INVESTMENT MANAGER POLICY

IX. EMERGING INVESTMENT MANAGER POLICY

A. Policy Objectives

The objective of this Emerging Investment Manager Policy (“Policy”) is to identify investment firms with the potential to add value to the LACERS investment portfolio (“Fund”) that would otherwise not be identified by the standard LACERS institutional investment manager search process. The Board believes that smaller investment management organizations may generate superior performance returns because of the increased market flexibility associated with smaller asset bases. The Policy provides criteria for LACERS to identify appropriate investment management organizations in their early business stages.

Consistent with the Board’s fiduciary responsibility, the goal of this Policy is to locate and fund emerging investment managers with successful histories of generating positive alpha at an appropriate level of active risk. LACERS may consider an emerging investment manager mandate as part of any investment manager search undertaken by the Board, after Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate.

The Board recognizes that emerging investment managers may not possess the organizational depth and resources of larger investment management firms, and may represent a greater business risk. The Board also recognizes that prudent management of the System requires that emerging investment managers, once retained, will manage significantly smaller amounts of LACERS’ assets than larger investment management firms. Each of these issues will result in greater oversight and administrative responsibilities for LACERS’ staff, and will consequently be part of the evaluation whenever emerging investment managers are being considered for inclusion in a manager search.

Managers hired pursuant to this Emerging Investment Manager Policy will be held accountable to the same performance, reporting, and retention standards as all other LACERS investment managers within the same asset class.

B. Emerging Investment Manager Goals

Public Markets: The Emerging Investment Manager aspirational policy goal for public market asset classes is no less than 10%, provided that Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate . Two metrics will be calculated at least annually to compare actual results versus the goal: 1) Asset Class Metric: total market value of all emerging investment managers accounts within a respective public market asset class divided by total market value of the respective public market asset class; and 2) Manager Search Metric: total dollars approved for contract with an Emerging Manager(s) divided by the total dollars approved for funding the respective investment manager search.

Section 4 EMERGING INVESTMENT MANAGER POLICY

Private Markets: The Emerging Investment Manager aspirational policy goal for private market asset classes is no less than 10%, provided that Staff and the appropriate fund consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate . Two metrics will be calculated at least annually to compare actual results versus the goal: 1) Asset Class Metric: total dollar commitments of all emerging investment manager partnerships within a respective asset class divided by the total dollar market value of the respective asset class; and 2) Manager Search Metric: total dollar commitments provided to Emerging Managers within a specific private market asset class divided by the total dollar value of all investment commitments in the same private market asset class over rolling 36-month periods.

C. Emerging Investment Manager Minimum Criteria

The following minimum criteria for firms to qualify as LACERS Emerging Investment Manager status under this Policy are as follows:

1. Public Market Asset Classes – U.S. Equities, Non-US Equities, Core Fixed Income
 - a) The firm will have no more than \$2 billion in total firm assets under management at the time of hire.
 - b) The firm must have a minimum of \$50 million assets under management in the strategy being considered.
 - c) The firm must have been in existence for a minimum of one year.
 - d) The portfolio manager must have a minimum of five years of verifiable experience managing the strategy being considered. The experience must include a GIPS-compliant performance track history attributable to the portfolio manager for the most recent 36-month period of the five-year verifiable experience requirement.
 - e) No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.
 - f) At the time of hire, funding in the investment strategy shall not exceed 20% of the total strategy AUM at the time of actual funding.
2. Private Market Asset Classes – Private Equity, Real Assets (not including Real Estate), Credit Opportunities
 - a) The General Partner will have no more than \$1 billion in firm-wide assets (based on the fair market value) of the previous fund at the time staff concurred on the proposed commitment plus the current amount of the drawdown commitment of the previous fund.
 - b) First- or second-time institutional fund for a General Partner.
 - c) The Fund shall have a minimum fund size of \$100 million in committed capital inclusive of LACERS' pending commitment.*

Section 4 EMERGING INVESTMENT MANAGER POLICY

- d) The firm must have been in existence for a minimum of one year.
- e) The firm must have a minimum track record of five years. Any firm with a track record of less than five years may utilize track records established at prior firms when performance can be clearly attributed to the emerging firm's key individuals and/or the specific team associated with the strategy being considered.
- f) No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.
- g) No Limited Partner can represent more than 30% of the total Fund's* capital.
- h) LACERS' commitment in the strategy being considered shall not exceed 10% of the projected final closing fund size or \$30 million, whichever is lower.

**Excludes co-investments or sidecar investment vehicles.*

3. Private Market Asset Class – Private Real Estate

- a) The General Partner will have no more than \$2 billion in firm-wide assets (based on the fair market value) of the previous fund at the time staff concurred on the proposed commitment plus the current amount of the drawdown commitment of the previous fund.
- b) First- or second-time institutional fund for a given General Partner.
- c) The Fund shall have a minimum fund size of \$150 million in committed capital inclusive of LACERS pending commitment.*
- d) The firm must have been in existence for a minimum of one year.
- e) The firm must have a minimum track record of five years. Any firm with a track record of less than five years may utilize track records established at prior firms when performance can be clearly attributed to the emerging firm's key individuals and/or the specific team associated with the strategy being considered.
- f) No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.
- g) No client can represent more than 30% of the total Fund's* capital.
- h) LACERS' commitment in the strategy being considered shall not exceed 10% of the projected final closing fund size or \$30 million, whichever is lower.

**Excludes co-investments or sidecar investments.*

D. Provisions for Post-Emerging Firms

1. Public Markets

LACERS expects that successful emerging investment management firms will grow beyond the maximum \$2 billion in assets under management. An emerging investment manager firm under contract to LACERS that successfully grows its assets under

Section 4 EMERGING INVESTMENT MANAGER POLICY

management and meets the minimum investment manager search criteria may be considered for a larger-sized mandate subject to (at minimum) meeting the Manager Search and Selection Criteria provided in the LACERS Manager Search and Selection Policy (Section VII of this document).

2. Private Markets

LACERS expects that successful emerging investment management firms will grow beyond raising first- and second-time partnership funds. Opportunities for participating in subsequent funds may be considered provided that the strategy meets the criteria of LACERS' Private Equity Investment Policy, Private Real Estate Investment Policy, Credit Opportunities Strategy Statement, or another asset class policy unique to a respective private markets mandate.

E. Reporting

Staff will report to the Board on the status of Emerging Investment Managers hired and retained on an annual calendar year basis. The annual report will include:

1. Names of Emerging Investment Manager firms hired during the calendar year.
2. Dollar amounts awarded to Emerging Managers.
3. Report of Emerging Investment Manager Goals Metrics pursuant to Section IX.B of this Policy.
4. List of all investment manager searches.
5. Staff and consultant efforts to increase the visibility of LACERS Emerging Investment Manager searches and Emerging Investment Manager representation within the total Fund portfolio.
6. Individual manager performance.

E. Research, Education and Outreach

The Board believes that research and education are essential components of formulating approaches and developing outreach programs to reach the broadest number of qualified investment managers to participate in LACERS investment manager searches.

To achieve this end, the Board may direct staff to conduct research to include (but not limited to) the issuance of surveys and questionnaires, attendance at educational conferences and academically-sponsored events, and participation in discussions with industry experts and peer organizations.

The Board has identified the use of LACERS' Organization Diversity Survey (ODS) as one particular tool that can be useful in the gathering information to further LACERS' research objectives. In conducting research using the ODS, LACERS Board and staff will adhere to the ODS Guidelines set forth below:

1. Request in an investment procurement solicitation that each participating firm complete and submit an ODS prior to the RFP submission deadline; and for private market investments, request on a best efforts basis that each general partner complete and submit an ODS prior to, or within a reasonable period following, LACERS' participation in its fund closing;
2. Direct each firm to return the completed ODS to an email address under the Administrative Services Division (ASD) of LACERS (or other designated division or unit outside the Investment Division);
3. Ensure that each ODS remains in a secured and password-protected folder known only to designated ASD staff and that an appropriate firewall be maintained to control access;
4. Examine collected ODS's once all contracts within a specific mandate have been executed;
5. Authorize the General Manager or designee to assign particular LACERS staff to review ODS's and conduct analyses of collected data once all contracts within a specific mandate have been executed;
6. Limit access to the ODS to particular individuals (Board members, General Manager, Chief Investment Officer, and other such staff as determined by the General Manager) who are part of a mandate's procurement selection process so as to avoid real or perceived conflicts of interest;
7. Protect the identity of each firm's ODS to those individuals named in ODS Guideline #6 and from public disclosure;
8. Report statistical findings of ODS's collected data within the last calendar year as part of the Annual Report of the Emerging Investment Managers reporting requirement under Section E.7 of this Policy or more frequently as directed by the Board or General Manager.