

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

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

January 23, 2018

10:10 a.m.

Agenda of: <u>FEB. 13, 2018</u>
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Item No: <u>II-A</u>

PRESENT:	President:	Jaime L. Lee
	Vice President:	Michael R. Wilkinson
	Commissioners:	Annie Chao Cynthia M. Ruiz Nilza R. Serrano Sung Won Sohn
	Manager-Secretary:	Lita Payne
	Executive Assistant:	Ani Ghoukassian
	Legal Counsel:	(Left at 11:07 a.m.) (Arrived at 11:07 a.m.) Joshua Geller Jim Napier
ABSENT:	Commissioner:	Elizabeth L. Greenwood

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

I

PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION – President Lee asked if there were any persons who wished to speak on matters within the Board's jurisdiction, to which two comment cards were received.

Mr. Tom Moutes, retired LACERS member, made a general comment and expressed his opinion on Board decorum.

Mr. Mike Perez, retired LACERS member and member of Retired Los Angeles City Employee Inc. (RLACEI) stated he will make his comment preceding the Agenda Item of interest.

II

CONSENT AGENDA

- A. APPROVAL OF MINUTES FOR BOARD MEETINGS OF JANUARY 9, 2018 AND POSSIBLE BOARD ACTION – A Motion to approve the minutes of January 9, 2018 was moved by Vice President Wilkinson, seconded by Commissioner Chao, and adopted by the following vote: Ayes,

Commissioners Chao, Ruiz, Serrano, Sohn, Vice President Wilkinson, and President Lee –6; Nays, None.

- B. RECEIVE AND FILE – MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR DECEMBER 2017 – This report was received by the Board and filed.
- C. ADOPTION OF 2018 EMPLOYEE MEMBER OF THE BOARD ELECTION CALENDAR AND POSSIBLE BOARD ACTION – Ani Ghoukassian, Commission Executive Assistant, discussed the details of the 2018 Employee Member of the Board Election Calendar. Approval was moved by Vice President Wilkinson, seconded by Commissioner Ruiz, and adopted by the following vote: Ayes, Commissioners Chao, Ruiz, Serrano, Sohn, Vice President Wilkinson, and President Lee – 6; Nays, None.
- D. TRAVEL AUTHORITY – PRESIDENT JAIME L. LEE AND COMMISSIONER ANNIE CHAO; MASSACHUSETTS INSTITUTE OF TECHNOLOGY (MIT) PROFESSIONAL CERTIFICATE PROGRAM IN REAL ESTATE FINANCE AND DEVELOPMENT, CAMBRIDGE, MASSACHUSETTS; JUNE 11-15, 2018 AND POSSIBLE BOARD ACTION – After discussion, Vice President Wilkinson amended this item to apply the full cost of President Lee’s expenses to the 2017-2018 Fiscal Year budget. Approval was moved by Vice President Wilkinson, as amended:

**TRAVEL AUTHORITY
MASSACHUSETTS INSTITUTE OF TECHNOLOGY PROFESSIONAL CERTIFICATE
PROGRAM IN REAL ESTATE FINANCE AND DEVELOPMENT
JUNE 11-15, 2018
CAMBRIDGE, MASSACHUSETTS**

RESOLUTION 180123-A

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

WHEREAS, the Massachusetts Institute of Technology (MIT) Professional Certificate Program in Real Estate Finance and Development in Cambridge, Massachusetts is not included in the Approved List of Educational Seminars authorized by the Board Education and Travel Policy for Fiscal Year 2017-18, and therefore requires individual approval;

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

THEREFORE, BE IT RESOLVED, that President Lee and Commissioner Chao are hereby authorized to attend the MIT Professional Certificate Program in Real Estate Finance and Development on June 11-15, 2018 and June 13-15, 2018, respectively, in Cambridge, Massachusetts.

BE IT FURTHER RESOLVED, that the reimbursement of up to \$11,000 for President Lee and up to \$6,900 for Commissioner Chao is hereby authorized for reasonable expenses in connection with participation.

Which motion was amended to apply the full cost of President Lee's expenses to the 2017-2018 Fiscal Year budget, seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Chao, Ruiz, Serrano, Sohn, Vice President Wilkinson, and President Lee -6; Nays, None.

- E. GENERAL MANAGER DESIGNEE SIGNATURE AUTHORITY AND POSSIBLE BOARD ACTION – A motion to adopt staff's recommendation was moved by Commissioner Ruiz:

**SIGNATURE AUTHORITY
FOR GENERAL MANAGER DESIGNEES**

RESOLUTION 180123-B

WHEREAS, the Board may delegate authority to the necessary deputies, assistants, and employees of the department and define their duties under Los Angeles City Charter (LACC) Section 511(a); and

WHEREAS, the General Manager is authorized under LACC Section 509 to administer the affairs of the department as its Chief Administrative Officer; and,

WHEREAS, the General Manager determines it is in the best interest of the department to ensure department business is transacted expeditiously on occasions when she is absent or unable to act through the assignment of signature authorities over specific areas of expertise;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby adopts the signature authority resolution for the General Manager designees. If practicable, designees shall seek verbal concurrence from the General Manager. Authority is assigned to the position, rather than the individual. This resolution shall be endorsed by the designees and should there be a change in personnel, a new endorsement certificate may be made and kept on file in the Board office; filed with any other necessary office of City government; or any agencies involved in processing LACERS' investment transactions and custodial responsibilities for the securities of LACERS. The proposed resolution will supersede any previously adopted resolutions related to General Manager designee signature authority and is effective upon adoption.

1. Assistant General Manager(s) – for the approval of contracts in compliance with the contracting limitations established in the LACC; approval of expenditures; and approval of benefit payments and related transactions;
2. Chief Benefits Analyst of Administrative Services Division – for the approval of contracts in compliance with the contracting limitations established in the LACC and approval of expenditures; and,
3. Chief Benefits Analyst of Retirement Services Division or Chief Benefits Analyst of Health Benefits Administration and Communications Division – for the approval of benefit payments and related transactions;

4. Chief Investment Officer or Investment Officer III – for the approval of investment transactions required within the scope of the contracts approved by the Board;

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

III

COMMITTEE REPORT(S)

- A. INVESTMENT COMMITTEE VERBAL REPORT ON THE MEETING OF JANUARY 9, 2018 – Commissioner Serrano stated the two contracts at the meeting for Neuberger Berman Investment Adviser and Bain Capital Credit were considered. She stated these contracts have moved out of Investment Committee and are on the current Board Agenda.

IV

INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Bryan Fujita, Chief Operating Officer with the Investment Division reported on the portfolio value, \$17.75 Billion as of January 22, 2018, a new high water mark. He stated he will be attending the Texas Teacher’s and Texas Employee Retirement Systems 2018 Emerging Manager Conference in Austin on February 2, 2018. He stated that Rod June, Chief Investment Officer, will be attending the Sponsors for Educational Opportunities (SEO) Alternative Investments Conference in New York on February 9, 2018. Future Investment Agenda items include investment related contracts as well as continued discussion on Asset Allocation.
- B. INVESTMENT MANAGER CONTRACT WITH BAIN CAPITAL CREDIT, LP REGARDING THE MANAGEMENT OF AN ACTIVE U.S. BANK LOANS PORTFOLIO AND POSSIBLE BOARD ACTION – Bryan Fujita, Chief Operating Officer and Jimmy Wang, Investment Officer I with the Investment Division discussed this item. A motion to adopted staff’s recommendation was moved by Commissioner Serrano:

**CONTRACT RENEWAL
BAIN CAPITAL CREDIT, LP
ACTIVE U.S. BANK LOANS PORTFOLIO MANAGEMENT**

RESOLUTION 180123-C

WHEREAS, LACERS’ current three-year contract with Bain Capital Credit, LP (Bain) for active U.S. bank loans portfolio management expires on June 30, 2018; and,

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

WHEREAS, a contract renewal with Bain will allow LACERS to maintain a diversified exposure to U.S. bank loans; and,

WHEREAS, on January 23, 2018, the Board approved the Investment Committee's recommendation for a three-year contract renewal with Bain; and,

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

Company Name: Bain Capital Credit, LP
Service Provided: Active U.S. Bank Loans Portfolio Management
Effective Dates: July 1, 2018 through June 30, 2021
Duration: Three years
Benchmark: Credit Suisse Leveraged Loan Index
Allocation as of December 31, 2017: \$93.5 million

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

- C. INVESTMENT MANAGER CONTRACT WITH NEUBERGER BERMAN INVESTMENT ADVISERS LLC REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION – Bryan Fujita, Chief Operating Officer with the Investment Division discussed this item. After discussion, Commissioner Sohn requested to “table” this item. Commissioner Serrano amended this item to direct staff to renegotiate the fees. Approval was moved by Commissioner Serrano, as amended:

**CONTRACT EXTENSION
NEUBERGER BERMAN INVESTMENT ADVISERS LLC
ACTIVE CORE FIXED INCOME PORTFOLIO MANAGEMENT**

RESOLUTION 180123-D

WHEREAS, LACERS current two-year contract with Neuberger Berman Investment Advisers LLC (Neuberger Berman) for active management of a core fixed income portfolio expires on June 30, 2018; and,

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

WHEREAS, a two-year contract extension will provide time to conduct a Request for Proposal search process to evaluate the marketplace of active core fixed income managers; and,

WHEREAS, on January 23, 2018, the Board approved the Investment Committee's recommendation for a two-year contract extension with Neuberger Berman; and,

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

Company Name: Neuberger Berman Investment Advisers LLC
Service Provided: Active Core Fixed Income Portfolio Management
Effective Dates: July 1, 2018 through June 30, 2020
Duration: Two years
Benchmark: Bloomberg Barclays U.S. Aggregate Bond Index
Allocation as of December 31, 2017: \$694 million

Which motion was amended to direct staff to renegotiate the fees, seconded by Vice President Wilkinson, and adopted by the following vote: Ayes, Commissioners Chao, Ruiz, Serrano, Vice President Wilkinson, and President Lee -5; Nays, Commissioner Sohn -1.

- D. PROXY VOTING AGENT CONTRACT WITH INSTITUTIONAL SHAREHOLDER SERVICES INC. AND POSSIBLE BOARD ACTION – Bryan Fujita, Chief Operating Officer and Wilkin Ly, Investment Officer II with the Investment Division discussed this item. A motion to adopt staff's recommendation was moved by Commissioner Serrano:

**CONTRACT RENEWAL
INSTITUTIONAL SHAREHOLDER SERVICES INC.
PROXY VOTING SERVICES**

RESOLUTION 180123-E

WHEREAS, LACERS' current three-year contract with Institutional Shareholder Services Inc. (ISS) for proxy voting services expires on February 28, 2018; and,

WHEREAS, a contract renewal with ISS will allow LACERS to uphold good governance practices by managing and exercising LACERS proxy voting rights; and,

WHEREAS, on January 23, 2018, the Board approved the Investment Committee's recommendation for a five-year contract renewal with ISS; and,

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

Company Name: Institutional Shareholder Services Inc.
Service Provided: Proxy voting services
Effective Dates: March 1, 2018 through February 28, 2023
Duration: Five years

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

V

CONTRACT(S)

- A. APPROVAL OF A ONE-YEAR CONTRACT EXTENSION WITH THE SEGAL COMPANY FOR ACTUARIAL CONSULTING SERVICES AND POSSIBLE BOARD ACTION – Dale Wong-Nguyen, Chief Benefits Analyst with Administrative Services Division discussed this item. A motion to adopt staff's recommendation was moved by Commissioner Serrano:

**AMENDMENT 3 TO CONTRACT 4093 WITH THE SEGAL COMPANY
FOR ACTUARIAL CONSULTING SERVICES
AUGUST 1, 2018 TO JULY 31, 2019**

RESOLUTION 180123-F

WHEREAS, The Segal Company was awarded a contract following a request for proposal issued on June 26, 2012 for actuarial consulting services; amended by Amendment 1 on October 29, 2014 to reflect Segal's name change; and further amended by Amendment 2 on July 1, 2015 to extend the contract for an additional three years from August 1, 2015 to July 31, 2018; and

WHEREAS, The Segal Company has provided consistent quality of work, timely and responsive client services, and valuable consultations on funding and actuarial policy; and

WHEREAS, major organizational changes at LACERS, including the first year of implementation of the new pension administration system beginning in March 2018, which impacts the actuarial demographic files; and the changes in executive leadership which will result in a loss of knowledge in the actuarial area; makes it highly desirable to keep the current actuary with 13 years of LACERS actuarial knowledge;

NOW THEREFORE, BE IT RESOLVED, that the Board hereby approves a one year contract extension with The Segal Company for actuarial services for an amount not to exceed \$300,000 and with the following terms; and authorizes the General Manager to negotiate and execute the necessary documents.

Company Name: THE SEGAL COMPANY
Service Provided: Actuarial Consulting Services

Term Dates: August 1, 2018 through July 31, 2019

Fees not to exceed:

Deliverables:	Ad-Hoc Projects, based on hourly rates:
<ul style="list-style-type: none">• Consulting and advisory services: \$14,000• Retirement valuation including GASB 67 valuation: \$84,500• Health valuation: \$49,000• GASB 68 report: \$15,000• GASB 74 report: \$8,000• GASB 75 report: \$15,000	<ul style="list-style-type: none">○ Principal \$520○ Reviewing Actuaries \$490○ Supervising Actuary \$470○ Actuarial Analysts \$310-\$460○ Compliance Consultants \$470

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

VI

BENEFITS ADMINISTRATION

- A. HEALTH AND WELFARE CONSULTANT REQUEST FOR PROPOSAL FINALIST AND POSSIBLE BOARD ACTION – Bruce Bernal, Senior Personnel Analyst II with Health Benefits Administration and Communications Division, discussed this item. A motion to adopt staff recommendation was moved by Commissioner Ruiz:

**AUTHORIZATION TO CONTRACT WITH
KEENAN & ASSOCIATES
FOR HEALTH AND WELFARE CONSULTANT**

RESOLUTION 180123-G

WHEREAS, on November 28, 2017, the Board authorized the issuance of a Request for Proposal for a three-year contract for a Health and Welfare Consultant;

WHEREAS, on December 27, 2017, Keenan & Associates (Keenan) was the sole firm to respond to the Health and Welfare Consultant Request for Proposal;

WHEREAS, on January 9, 2018, the Benefits Administration Committee approved staff's recommendation to select Keenan as LACERS' Health and Welfare Consultant based on the Committee and staff reviews of the submitted written proposal and the level of satisfaction with Keenan's performance during their tenure as Health and Welfare Consultant;

WHEREAS, on January 23, 2018, the Board approved the Committee's recommendation to select Keenan as the Health and Welfare Consultant;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes the General Manager to negotiate and execute a three-year contract with Keenan at the following fee schedule with an option to renew the contract for up to three additional years:

2018 \$803,000
2019 \$803,000
2020 \$803,000

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

- B. SURVIVOR BENEFIT PURCHASE PROGRAM FOR RETIRED MEMBERS AND POSSIBLE BOARD ACTION – Mr. Mike Perez, retired LACERS member and member of Retired Los Angeles City Employees Inc. (RLACEI) stated he supports this program for all LACERS members. Alex Rabrenovich, Chief Benefits Analyst with Health Benefits Administration and Communications Division discussed this item. A motion to adopt staff’s recommendation was moved by Commissioner Ruiz, seconded by Commissioner Chao, and adopted by the following vote: Ayes, Commissioners Chao, Ruiz, Serrano, Sohn, Vice President Wilkinson, and President Lee -6; Nays, None.

VII

DISABILITY RETIREMENT APPLICATION(S)

- A. RECONSIDERATION OF THE DISABILITY RETIREMENT APPLICATION OF DEBRA MACK AND POSSIBLE BOARD ACTION (HEARING) – Anna Ingram, Management Analyst with Retirement Services Division and Debra Mack, Disability Retirement Applicant, discussed this item. After further discussion a motion to approve staff’s recommendation was moved by Vice President Wilkinson:

DENIAL OF DISABILITY RETIREMENT REQUEST FOR RECONSIDERATION OF DEBRA MACK

RESOLUTION 180123-H

WHEREAS, on May 9, 2017, the Board of Administration (hereafter, “Board”) conducted a hearing on Applicant Debra Mack’s application for a disability retirement and following the hearing, the Board denied the application;

WHEREAS, on June 13, 2017, the Board adopted the attached Findings of Fact in support of its May 9, 2017 decision to deny the application for a disability retirement;

WHEREAS, on June 29, 2017, Debra Mack was notified that the Board had adopted the Findings of Fact in support of its May 9, 2017 decision to deny her application for a disability retirement;

WHEREAS, on September 27, 2017, Debra Mack requested reconsideration of the Board's decision to deny her application for a disability retirement and in support thereof, submitted various documentation;

WHEREAS, the documentation submitted by Debra Mack is not material evidence that was either unavailable or unobtainable at the time of the Board's decision on May 9, 2017;

WHEREAS, Physicians 1, 2, and 3, previously reviewed the medical documentation submitted on September 27, 2017, when they initially examined Debra Mack and concluded Debra Mack is able to perform her usual and customary duties as an Administrative Clerk with the City of Los Angeles, with no form of accommodations;

WHEREAS, no grounds for reconsideration have been demonstrated under the Board's Hearing Procedures Rule 13;

NOW, THEREFORE, BE IT RESOLVED that Debra Mack's request that the Board reconsider her application for a disability retirement is denied.

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

President Lee adjourned the Regular Meeting at 11:25 a.m., to convene in Closed Session. Deputy City Attorney James Napier was present for Closed Session discussions.

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

VIII

LEGAL/LITIGATION

A. CLOSED SESSION PURSUANT TO SUBDIVISIONS (a) AND (d)(1) OF GOVERNMENT CODE SECTION 54956.9 TO CONFER WITH, AND/OR RECEIVE ADVICE FROM, LEGAL COUNSEL REGARDING PENDING LITIGATION, AND POSSIBLE BOARD ACTION. CASE: AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES, ET AL. v. CITY OF LOS ANGELES, ET AL. (SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES CASE NO. BS166535)

President Lee reconvened the Regular Meeting at 11:30 a.m. and announced that during Closed Session the Board unanimously approved the Disability Retirement Application of Hagop Tchakerian. President Lee stated there was no pending litigation update.

IX

MANAGER VERBAL REPORT

- A. REPORT ON DEPARTMENT OPERATIONS – Lita Payne, Interim General Manager, stated the 2017 1099R's were delivered to the Post Office on January 22, 2018, and should be received by January 31, 2018. Ms. Payne stated the Pension Administration System parallel testing continues and the completion of the payroll run for the month of January was successful. Ms. Payne shared that the LACERS *Well* webpage went live last week.
- B. UPCOMING AGENDA ITEMS – Lita Payne, Interim General Manager, stated upcoming agenda items for the Benefits Administration Committee are the LACERS *Well* Annual Report and Diabetes Demographics Follow-up. Ms. Payne stated an upcoming agenda item for the Board is the Member Services Satisfaction Survey Results for the second half of 2017, and a Governance Committee Meeting is being scheduled in the near future.

X

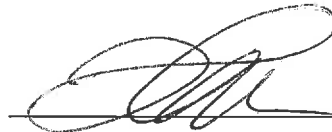
OTHER BUSINESS – There was no other business.

XI

NEXT MEETING: The next Regular Meeting of the Board is scheduled for Tuesday, February 13, 2018, at 10:00 a.m., in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

XII

ADJOURNMENT – There being no further discussion before the Board, President Lee adjourned the meeting at 11:32 a.m.



Jaime L. Lee
President



Lita Payne
Manager-Secretary