

Investment Committee Agenda

REGULAR MEETING

TUESDAY, MARCH 12, 2024

**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 one-way audio on Council Phone by calling (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside) or (310) 547-CITY (San Pedro Area).

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 non-exempt 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: Annie Chao
Gaylord "Rusty" Roten

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghokassian

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

Notice to Paid Representatives

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 *et seq.* More information is available at ethics.lacity.org/lobbying. For assistance, please contact the Ethics Commission at (213) 978-1960 or ethics.commission@lacity.org.

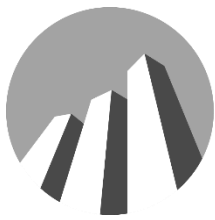
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- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA
- II. [APPROVAL OF MINUTES FOR THE MEETING OF FEBRUARY 13, 2024 AND POSSIBLE COMMITTEE ACTION](#)
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. [INVESTMENT MANAGER CONTRACT WITH LOOMIS, SAYLES & COMPANY, L.P. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION](#)
- V. [INVESTMENT MANAGER CONTRACT WITH DIMENSIONAL FUND ADVISORS LP REGARDING THE MANAGEMENT OF A U.S. TREASURY INFLATION PROTECTED SECURITIES \(TIPS\) PORTFOLIO AND POSSIBLE COMMITTEE ACTION](#)
- VI. OTHER BUSINESS
- VII. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, April 9, 2024, 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



Board of Administration Agenda

SPECIAL MEETING

TUESDAY, MARCH 12, 2024

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

MEETING LOCATION:

LACERS Boardroom
 977 N. Broadway
 Los Angeles, California 90012

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President: Annie Chao
 Vice President: Sung Won Sohn

Commissioners: Thuy T. Huynh
 Elizabeth Lee
 Gaylord "Rusty" Roten
 Janna Sidley
 Michael R. Wilkinson

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

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

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- 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 FEBRUARY 13, 2024 AND POSSIBLE COMMITTEE ACTION
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. INVESTMENT MANAGER CONTRACT WITH LOOMIS, SAYLES & COMPANY, L.P. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION
- V. INVESTMENT MANAGER CONTRACT WITH DIMENSIONAL FUND ADVISORS LP REGARDING THE MANAGEMENT OF A U.S. TREASURY INFLATION PROTECTED SECURITIES (TIPS) PORTFOLIO AND POSSIBLE COMMITTEE ACTION
- VI. OTHER BUSINESS
- VII. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, April 9, 2024, 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

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

February 13, 2024

12:21 p.m.

PRESENT:	Chair	Elizabeth Lee
	Committee Member:	Annie Chao Gaylord "Rusty" Roten
	Legal Counselor:	Anya Freedman
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian

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

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – 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 9, 2024 AND POSSIBLE COMMITTEE ACTION – Committee Member Chao moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Roten, and Chair Lee-3; Nays, None.

III

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

- IC forward calendar

IV

PRESENTATION BY AKSIA LLC OF THE PRIVATE CREDIT PROGRAM 2024 STRATEGIC PLAN AND POSSIBLE COMMITTEE ACTION – Trevor Jackson, Managing Director, and Mike Krems, Partner, with Aksia LLC and Clark Hoover, Investment Officer I, presented this item to the Committee for 30 minutes. Committee Member Roten moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Roten, and Chair Lee -3; Nays, None.

V

SEMI-FINALISTS OF THE MASTER TRUST/CUSTODIAL SERVICES AND SECURITIES LENDING SEARCH AND POSSIBLE COMMITTEE ACTION – Jeremiah Paras, Investment Officer I, presented and discussed this item with the Committee for 10 minutes. Committee Member Roten moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Roten, and Chair Lee -3; Nays, None.

VI

INVESTMENT MANAGEMENT CONTRACT WITH ROBERT W. BAIRD & CO. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Jeremiah Paras, Investment Officer I, presented and discussed this item with the Committee for 5 minutes. Committee Member Roten moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Roten, and Chair Lee -3; Nays, None.

VII

INVESTMENT MANAGEMENT CONTRACT WITH J.P. MORGAN INVESTMENT MANAGEMENT, INC. REGARDING THE MANAGEMENT OF AN ACTIVE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Jeremiah Paras, Investment Officer I, presented and discussed this item with the Committee for 5 minutes. Committee Member Roten moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Roten, and Chair Lee -3; Nays, None.

VIII

OTHER BUSINESS – There was no other business.

IX

NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, March 12, 2024, at 10:30 a.m. or immediately following the Board Meeting, in the LACERS Boardroom at 977 N. Broadway, Los Angeles, CA 90012-1728.

X

ADJOURNMENT – There being no further business before the Committee, Chair Lee adjourned the meeting at 1:09 p.m.

Elizabeth Lee
Chair

Neil M. Guglielmo
Manager-Secretary



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: MARCH 12, 2024
ITEM: IV

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER CONTRACT WITH LOOMIS, SAYLES & COMPANY, L.P. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a three-year contract renewal with Loomis, Sayles & Company, L.P. for management of an active core fixed income portfolio.

Executive Summary

Loomis, Sayles & Company, L.P. (Loomis) has managed a fixed income portfolio for LACERS since July 1980. LACERS' portfolio was valued at approximately \$643 million as of January 31, 2024. Loomis' current contract expires on May 31, 2024. Loomis is in compliance with the LACERS Manager Monitoring Policy. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, recommend a three-year contract renewal with Loomis.

Discussion

Background

Loomis manages an active core fixed income portfolio for LACERS benchmarked against the Bloomberg U.S. Aggregate Bond Index. The investment approach seeks to add value through sector rotation and security selection based on macroeconomic analysis and fundamental research. Portfolio Managers John Hyll (40 years industry experience, 36 with Loomis) and Neil Burke (32 years industry experience, 26 with Loomis) lead the portfolio management team and are supported by the firm's comprehensive research and trading platforms. LACERS' portfolio was valued at \$643 million as of January 31, 2024.

Loomis has managed a fixed income mandate for LACERS since July 1980 and has undergone several mandate changes since the time of hire. The Board rehired Loomis under the 2019-2021 Active Core Fixed Income search process and authorized a three-year contract on January 26, 2021; the contract became effective on June 1, 2021. The current contract expires on May 31, 2024.

Loomis also manages an active high yield fixed income portfolio for LACERS currently benchmarked against the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index. As of January 31, 2024, this high yield fixed income portfolio was valued at \$346 million.

Organization

Loomis is headquartered in Boston and has around 900 employees; approximately half are investment personnel. Loomis is a wholly-owned subsidiary of Natixis S.A., a publicly traded France-based firm offering corporate and investment banking, asset and wealth management, financial investments, payments, and insurance services. As of December 31, 2023, the firm managed over \$335.2 billion in total assets with over \$14.3 billion in core fixed income strategies.

Due Diligence

Staff conducts routine due diligence of the manager, which not only includes virtual quarterly portfolio reviews and ad hoc investment discussions, but also includes onsite due diligence meetings in order to order to interview key personnel across the organization; the most recent onsite meeting was conducted on April 13, 2023. Staff determined that Loomis' investment philosophy, strategy, and process have not changed materially since inception of the current contract. There have also been no material changes to the strategy's portfolio management team over the course of the contract period. Staff did note a number of firm-level personnel changes over the course of the contract period, though none of these were deemed to have adversely impacted the day-to-day management of the strategy. Loomis is in compliance with the LACERS Manager Monitoring Policy.

Performance

As of January 31, 2024, Loomis outperformed its benchmark across all time periods as presented in the table below.

Annualized Performance as of 1/31/2024 (Net-of-Fees)							
	3-Month	1-Year	3-Year	5-Year	10-Year	20-Year	Since Inception ^{1,2}
Loomis	8.35	2.28	-2.81	1.70	2.44	4.11	8.18
Bloomberg U.S. Aggregate Bond Index ³	8.23	2.10	-3.17	0.83	1.63	3.23	6.77
<i>% of Excess Return</i>	<i>0.12</i>	<i>0.18</i>	<i>0.36</i>	<i>0.87</i>	<i>0.81</i>	<i>0.88</i>	<i>1.41</i>

¹ Inception date: 7/31/1980

² Indicates gross returns

³ The benchmark has changed several times since inception due to mandate changes: 7/31/1980 – 8/31/1993: Lehman Brothers Government Credit Bond Index; 8/31/1993 – 6/30/2000: Lehman Brothers Long Term Government Credit Bond Index; 6/30/2000 – 6/30/2013: Barclays U.S. Universal Bond Index; 6/30/2013 – Present: Bloomberg U.S. Aggregate Bond Index.

Calendar year performance is presented in the table below as supplemental information.

Calendar Year Performance as of 1/31/2024 (Net-of-Fees)											
	1/1/24-1/31/24	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Loomis	-0.28	5.75	-12.97	-0.83	10.36	9.56	-0.04	4.54	5.58	-0.53	6.89
Bloomberg U.S. Aggregate Bond Index ³	-0.27	5.53	-13.01	-1.54	7.51	8.72	0.01	3.54	2.65	0.55	5.97
<i>% of Excess Return</i>	<i>-0.01</i>	<i>0.22</i>	<i>0.04</i>	<i>0.71</i>	<i>2.85</i>	<i>0.84</i>	<i>-0.05</i>	<i>1.00</i>	<i>2.93</i>	<i>-1.08</i>	<i>0.92</i>

³ The benchmark has changed several times since inception due to mandate changes: 7/31/1980 – 8/31/1993: Lehman Brothers Government Credit Bond Index; 8/31/1993 – 6/30/2000: Lehman Brothers Long Term Government Credit Bond Index; 6/30/2000 – 6/30/2013: Barclays U.S. Universal Bond Index; 6/30/2013 – Present: Bloomberg U.S. Aggregate Bond Index.

Fees

LACERS pays Loomis an effective fee of 13 basis points (0.13%), which is approximately \$843,000 annually based on the value of LACERS' assets as of January 31, 2024. For a portfolio of its size, the fee ranks in the 9th percentile of fees charged by similar core fixed income managers in the eVestment database (i.e., 91% of like-managers have higher fees).

General Fund Consultant Opinion

NEPC concurs with this recommendation.

Strategic Plan Impact Statement

A contract renewal with Loomis will allow the fund to maintain a diversified exposure to the active core fixed income market, and aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/WL/JP:rm

Attachment: 1. Consultant Recommendation – NEPC, LLC



To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: March 12, 2024

Subject: Loomis, Sayles & Company, L.P.

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) renew the contract for core fixed income services that is currently in place with Loomis, Sayles & Company, L.P. ('Loomis' or 'Loomis Sayles') for a period of three years from the date of contract expiry.

Background

Loomis was hired into the Core Fixed Income asset class on July 31, 1980 to provide the Plan with U.S. investment grade public markets fixed income exposure. Since 1980 the mandate has changed several times including a combination of government and corporate bonds and stand-alone government and corporate mandates. The portfolio's strategy is benchmarked currently against the Bloomberg Barclays Capital U.S. Aggregate Fixed Income Index.

As of December 31, 2023, Loomis managed \$644.9 million, or 2.8% of Plan assets. The portfolio is benchmarked against the Bloomberg U.S. Aggregate Bond Index and has a performance objective of outperforming the benchmark, net of fees, annualized over a full market cycle (normally three-to-five years). The Loomis portfolio is currently compliant with LACERS' manager monitoring policy.

Loomis traces its origins back to January 1926, when Robert H. Loomis and Ralph T. Sayles formed a partnership and established Loomis Sayles as an investment management company in Boston, Massachusetts. Since 2008, the firm is majority owned by Natixis Investment Managers, a subsidiary of a firm formed by two shareholders Caisse Nationale des Caisses d'Epargne ("CNCE") and Banque F'd'rale des Banques Populaires ("BFBP") who together form an entity named Groupe BPCE; a large banking group based in France. Groupe BPCE is the single voice of governance and strategic direction for Natixis. Natixis is a publicly traded company (ticker: NTFY). Loomis manages \$335.2 billion and employs over 800 people as of December 31, 2023.

Loomis Sayles is one of over 30 subsidiaries wholly owned by Natixis. Natixis is described by Loomis management as the Bank of America of France. Three people from Natixis sit on the board of Loomis Sayles. Loomis counts on Natixis for a distribution network outside the US. Loomis' client base is currently 25% retail and 75% institutional. Relative to other Natixis affiliates, Loomis is strong in fixed income, and faces tougher competition for shelf space in the Natixis line-up on the equities side. From an incentive alignment standpoint, Loomis' ownership structure is stable and functioning. Natixis does place pressure on their asset managers to grow assets under management ('AUM'). Loomis can make hire/fire decisions and most business strategy decisions (strategy capacity/ asset level to close etc.) independently, but major decisions need Natixis approval (acquisitions or team lift outs for example). To seed a new strategy Loomis needs to work at length with Natixis to get them on board and get their support for the asset gathering phase of the new

venture. One of the areas that Loomis is focusing on is the insurance space given secular growth in that area. They will be establishing an OCIO based in Paris. CEO Kevin Charleston is clearly focused on asset growth. The firm's growth target is close to double digits. Natixis receives 50% of Loomis' earnings.

The LACERS core bond portfolio is managed within the Government/Credit team, a segment of the Relative Return platform of strategies and is overseen by two portfolio managers; John Hyll and Neil Burke. Messrs. Hyll and Burke have been with Loomis for 36 and 26 years respectively. Both are responsible for government and credit, long duration credit, long duration corporate bonds and customized liability driven investment solutions. The portfolio management team and investment process is supported by sector specialist researchers across all major sectors of the fixed income universe defined by Loomis as: US Yield Curve, Investment Grade/ Global Credit, Mortgage & Securitized Finance, US Government, High Yield/ Bank Loans, Emerging Markets, Convertibles, Global Asset Allocation and Developed Non-US Markets. The core fixed income team, while having the ability to utilize resources from the sector research specialists as a whole, is most engaged with the Credit Research team. This team has over 50 employees made up of one Director, Senior Analysts, Analysts, Research Associates and Research Assistants.

The strategy is run with a benchmark aware focus and broad diversification is key to the Loomis investment philosophy that prioritizes a belief in fundamental security analysis in identifying value. Investment flexibility is restrained to the investment grade portion of the US fixed income markets. Sector selection is developed in concert with individual security selection and fundamental industry analysis. The investment team seeks to take advantage of those sectors that appear to be broadly undervalued given the potential for recovery. Sector teams are responsible for forecasting overall return prospects and outlooks for their particular market sector and recommending specific credits in their segments of the market. Portfolio managers use these forecasts to generate a portfolio structure that overweights expected higher performing sectors and underweights expected underperforming sectors.

Performance

Referring to Exhibit 1, as of December 31, 2023, since the portfolio's inception date of July 1, 1980, the portfolio has outperformed its benchmark by 1.3%. Over the past 10 years, the portfolio has outperformed the benchmark by 0.8% and ranked in the 5th percentile among its peers. Over the past five-years the portfolio outperformed its benchmark by 0.9% and ranked in the 8th percentile in its peer group. Over the last one-year period, the portfolio returned 5.8%, outperformed its benchmark by 0.2% and ranked in the 62nd percentile.

Referring to Exhibit 2, the cumulative effect of the relative outperformance has been significant. The strategy continues to favor spread sectors including corporate bonds, ABS and CMBS. In the shorter-run agency backed mortgage exposure contributed to performance as the strategy was underweight while spreads increased in addition to generating positive issue selection in the asset class. Duration continues to be managed in line with the benchmark.

Fees

The portfolio has an asset-based fee of 0.13% annually. This fee ranks in the 9th percentile among its peers in the eVestment Core Fixed Income universe. In other words, 91% of the products included in the peer universe have a higher fee than the LACERS account.



Conclusion

Loomis has outperformed its benchmark index since inception. The firm has had a well-established, stable team in place, in addition to executing well against its stated investment objectives. The investment process and philosophy paired with a large team of resources suggest an ability to execute going forward. NEPC recommends a contract renewal for a period of three years from the period of contract expiry.

The following tables provide specific performance information, net of fees referenced above.





Exhibit 1: Universe Performance Comparison Net of Fees Ending December 31, 2023

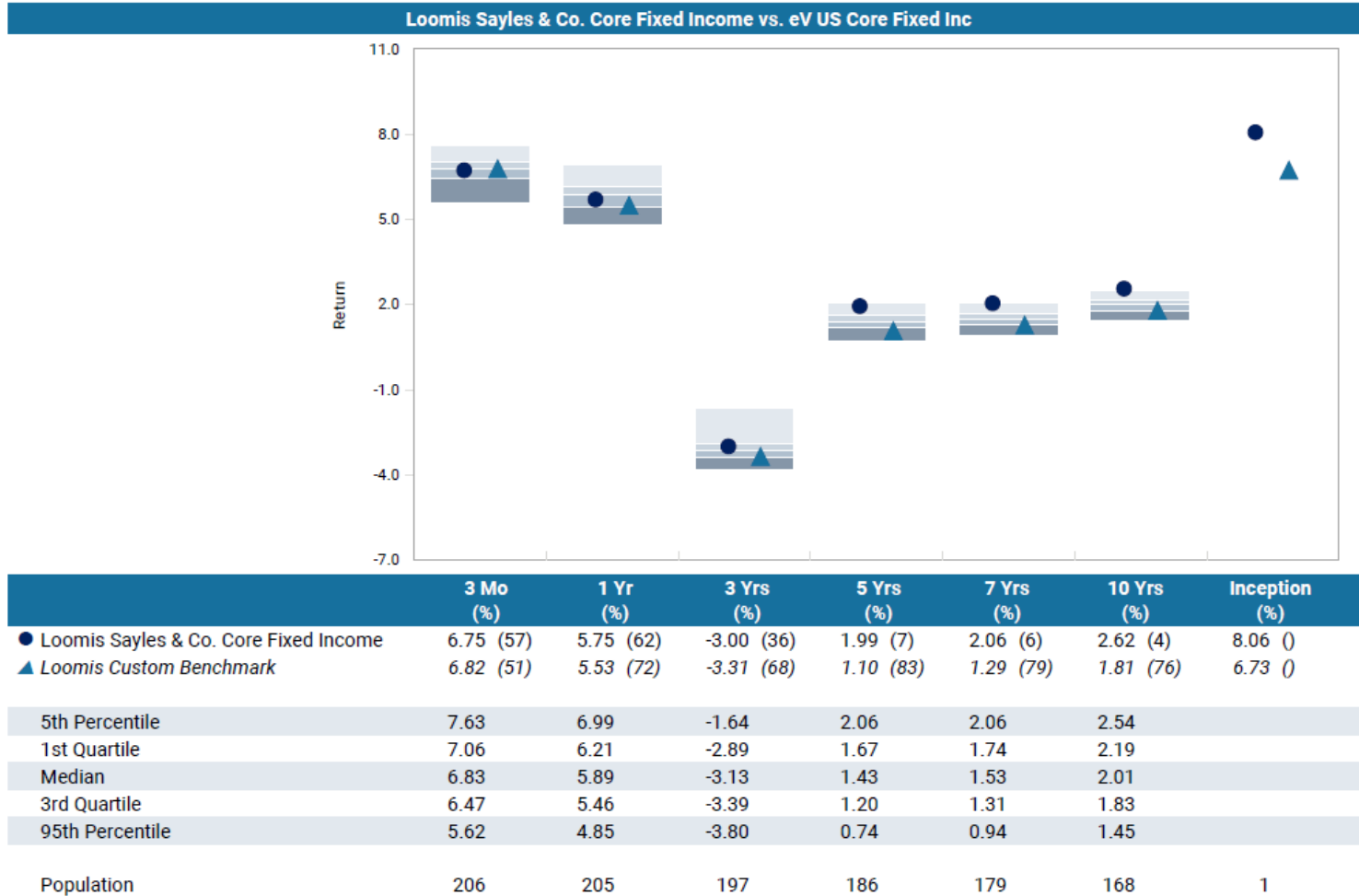
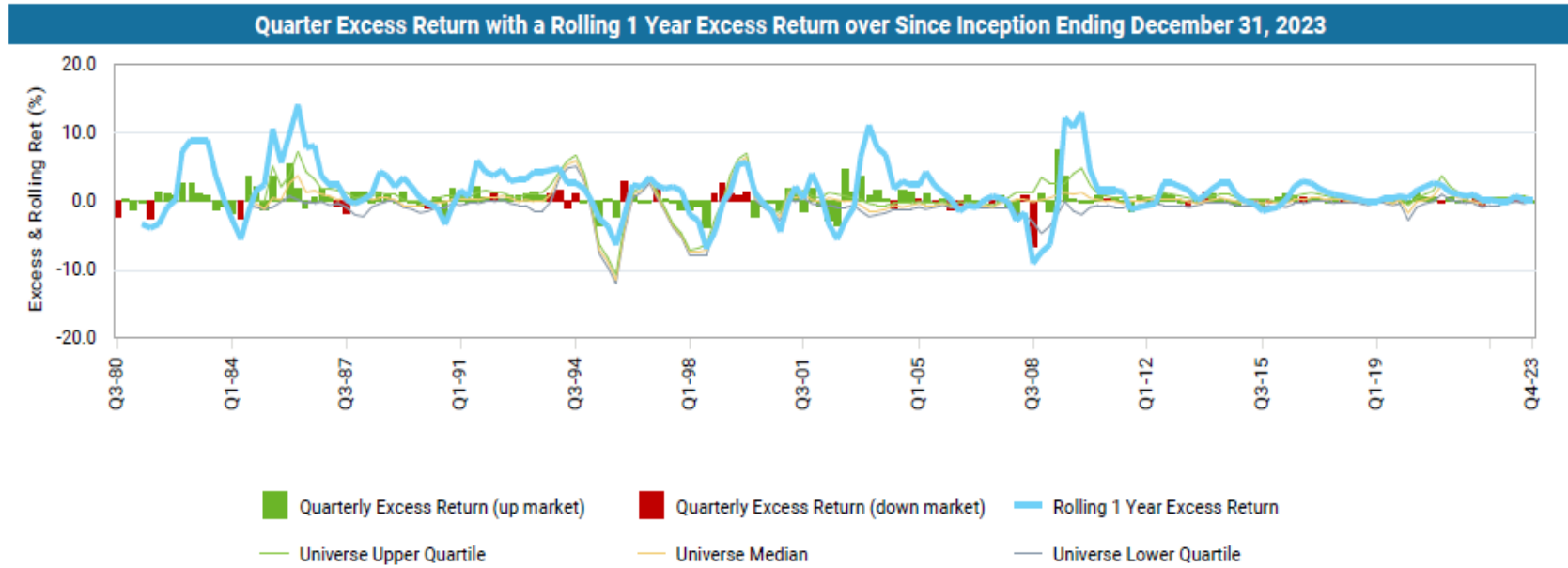


Exhibit 2: Cumulative Excess Performance Net of Fees Ending December 31, 2023





LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: MARCH 12, 2024
ITEM: V

SUBJECT: INVESTMENT MANAGER CONTRACT WITH DIMENSIONAL FUND ADVISORS LP REGARDING THE MANAGEMENT OF A U.S. TREASURY INFLATION PROTECTED SECURITIES (TIPS) PORTFOLIO AND POSSIBLE COMMITTEE ACTION

ACTION: **CLOSED:** **CONSENT:** **RECEIVE & FILE:**

Recommendation

That the Committee recommend to the Board a three-year contract renewal with Dimensional Fund Advisors LP for management of a U.S. Treasury Inflation Protected Securities portfolio.

Executive Summary

Dimensional Fund Advisors LP (DFA) has managed an active U.S. Treasury Inflation Protected Securities (TIPS) portfolio for LACERS since July 2014. LACERS' portfolio was valued at \$806 million as of January 31, 2024. DFA's current contract expires on June 30, 2024. DFA is in compliance with the LACERS Manager Monitoring Policy. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, recommend a three-year contract renewal with DFA.

Discussion

Background

DFA manages a U.S. TIPS portfolio for LACERS benchmarked against the Bloomberg U.S. TIPS Index. DFA's strategy provides protection against inflation by investing in inflation-linked bonds issued by the U.S. Treasury. The strategy offers benchmark-like duration and adds incremental value through yield curve positioning and low portfolio turnover. DFA uses a team approach to investment management; the portfolio is managed by a team of investment professionals, which include Alexander Fridman, Senior Portfolio Manager (18 years industry experience, 11 with DFA) and Alan Hutchison, Senior Portfolio Manager (25 years industry experience, 17 with DFA). LACERS' portfolio was valued at \$806 million as of January 31, 2024.

DFA was hired through the 2013 Active U.S. and Global Inflation-Linked manager search process with the Board authorizing a three-year contract on February 25, 2014. Subsequently, the Board authorized a three-year contract renewal on January 24, 2017, a one-year extension on May 26, 2020, and another three-year contract renewal on February 23, 2021. The current contract expires on June 30, 2024.

DFA also manages an emerging markets value equities portfolio for LACERS currently benchmarked against the MSCI Emerging Markets Value Index. As of January 31, 2024, this portfolio was valued at \$527 million.

Organization

DFA is headquartered in Austin, Texas and has more than 1,600 employees globally. As of January 31, 2024, the firm managed approximately \$674.1 billion in total assets, with \$6.3 billion in the TIPS strategy.

Due Diligence

Staff conducts routine due diligence of the manager. In addition to meeting virtually for quarterly portfolio reviews and ad hoc investment discussions, LACERS staff conducted an onsite meeting at DFA's headquarters on May 2, 2023, to interview key personnel across the organization. Staff determined that DFA's investment philosophy, strategy, and process have not changed materially since inception of the current contract. There have also been no material changes to the strategy's portfolio management team over the course of the contract period. Staff did note a number of firm-level personnel changes over the course of the contract period, though none of these were deemed to have adversely impacted the day-to-day management of the strategy. DFA is in compliance with the LACERS Manager Monitoring Policy.

Performance

As of January 31, 2024, DFA underperformed its benchmark over the 3-Month, 1-Year, 3-Year and 5-Year time periods as presented in the table below. Over longer periods of time, DFA has managed to outperform its benchmark, as demonstrated by positive 7-Year and Since Inception excess returns.

Annualized Performance as of 1/31/2024 (Net-of-Fees)						
	3-Month	1-Year	3-Year	5-Year	7-Year	Since Inception ¹
DFA	5.49	1.73	-1.37	2.89	2.44	2.01
Bloomberg U.S. TIPS Index	5.66	2.21	-1.05	2.91	2.39	1.92
<i>% of Excess Return</i>	<i>-0.17</i>	<i>-0.48</i>	<i>-0.32</i>	<i>-0.02</i>	<i>0.05</i>	<i>0.09</i>

¹Inception date 7/17/2014

Calendar year performance is presented in the table below as supplemental information.

Calendar Year Performance as of 1/31/2024 (Net-of-Fees)											
	1/1/24-1/31/24	2023	2022	2021	2020	2019	2018	2017	2016	2015	7/17/14-12/31/14
DFA	0.30	3.55	-12.22	5.79	11.97	8.55	-1.15	3.22	5.13	-0.94	-2.86
Bloomberg U.S. TIPS Index	0.18	3.90	-11.85	5.96	10.99	8.43	-1.26	3.01	4.68	-1.44	-2.31
<i>% of Excess Return</i>	<i>0.12</i>	<i>-0.35</i>	<i>-0.37</i>	<i>-0.17</i>	<i>0.98</i>	<i>0.12</i>	<i>0.11</i>	<i>0.21</i>	<i>0.45</i>	<i>0.50</i>	<i>-0.55</i>

The strategy focuses on holding TIPS in the middle range of the universe's available maturities between four years and 22 years from the date of settlement. The portfolio is thus naturally underweight both the short and long ends of the curve and overweight the intermediate term of the curve. While there is variation in the returns from year to year, the strategy's underperformance relative to the benchmark in the most recent three calendar years can be cumulatively attributed to the portfolio's underexposure to TIPS with maturities shorter than four years. DFA maintains that over the long term, the portfolio can still systematically add value by targeting inflation protection at intermediate maturities where the manager's research has shown expected returns to be generally higher.

Fees

LACERS pays DFA an effective fee of 5 basis points (0.05%), which is approximately \$428,000 annually based on the value of LACERS' assets as of January 31, 2024. The fee ranks in the 1st percentile of fees charged by similar managers in the eVestment database (i.e., 99% of like-managers have higher fees). Since inception, LACERS has paid DFA a total of \$3.3 million in investment management fees.

General Fund Consultant Opinion

NEPC concurs with this recommendation.

Strategic Plan Impact Statement

A contract renewal with DFA will allow the fund to maintain a diversified exposure to public real assets, which is expected to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/WL/JP:rm

Attachment: 1. Consultant Recommendation – NEPC, LLC



To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: March 12, 2024

Subject: Dimensional Fund Advisors LP

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) renew the contract with Dimensional Fund Advisors LP ('DFA') for a period of three years from the date of contract expiry.

Background

DFA was funded on July 17, 2014 to provide the Plan with exposure to U.S. Treasury Inflation Protected Securities (U.S. TIPS) within the Plan's Public Real Assets asset class. As of December 31, 2023, DFA managed \$803.6 million, or 3.5% of Plan assets. The performance objective is to outperform the Bloomberg Barclays U.S. TIPS Index, net of fees, annualized over a full market cycle (normally three-to-five years). The portfolio is currently compliant with LACERS' manager monitoring policy.

DFA was founded in 1981 by University of Chicago MBA students David Booth and Rex Sinquefeld, whose intention was to start a fund management firm that would rely fully on academic theories of efficient markets. Papers from Finance Professors Eugene Fama and Kenneth French framed their thinking. Eugene Fama and Kenneth French remain Directors and Consultants to the company today, and the firm maintains its ties to the University of Chicago. Other notable Board Members include George Constantinides of the University of Chicago, Robert Merton of Harvard University, Myron Scholes of Stanford University, and Roger Ibbotson of Yale. Mr. Booth remains at the firm as Founder and Executive Chairman and Mr. Sinquefeld retired in 2005. The firm is a private company owned primarily by employees, directors and former employees (70%) and outside investors (30%). Headquartered in Austin, Texas, the firm has offices around the globe and as of December 31, 2023, the firm had \$677 billion in assets under management ('AUM') with over 1,600 employees.

The firm's core philosophy is to focus on a rules-based systematic investment approach that combines academic theory and empirical research. DFA believes that prices in liquid and competitive markets reflect available information about fundamental values and the aggregate risk and return expectations of market participants. They believe that diversification helps reduce uncertainty, manage risk, increase the reliability of outcomes and provide flexibility. They identify and focus on the tradeoffs that matter to targeting market premiums efficiently.

The strategy focuses on securities in the middle range of the universe's available maturities, between four and 22 years from the date of settlement, excluding both very short and very long securities, although it may continue to hold securities as their maturities fall below four years. The rationale for this approach is that there are substitutes such as short Treasuries that provide fairly

good protection versus inflation over time and secondly investing beyond 20 years' maturity may provide less favorable returns.

The strategy employs a constant-maturity, low-turnover approach which can generally be described as a buy and hold strategy. The strategy does not seek to replicate the benchmark but instead provide systematic exposure to the asset class in a thoughtful, market-driven, and cost-effective manner. For the portfolio there is one issuer, the U.S. Treasury and there is no limitation on the investments of this issuer. Individual security weightings will be determined to target the duration of the Bloomberg Barclays U.S. TIPS Index.

DFA uses a team approach to investment management. The Investment Policy Committee focuses on any changes to long-term investment strategy through the combined contributions of Portfolio Research, Portfolio Management, and Trading. The Investment Committee supervises day-to-day investment management operations for all portfolios. They do not employ a traditional portfolio manager / research analyst structure. Investment Associates and Portfolio Analysts are part of the team that assists Portfolio Managers in the implementation of policies and procedures for the strategies. DFA's internal research team is comprised of research professionals engaged in academic research and product development. Though there has been some turnover over the past several years at the investment committee level, the team approach to portfolio management at DFA results in a diminished impact of any one team-member's departure.

Performance

Referring to Exhibit 1, ending December 31, 2023, since August 1, 2014 the DFA portfolio has outperformed the Bloomberg Barclays U.S. TIPS Index by 0.05% and ranked in the 23rd percentile in its peer group. In the five-year period ended December 31, 2023, the portfolio outperformed the index by 0.02% and ranked in the 49th percentile in its peer group. Over the past three-years, the portfolio underperformed by 0.3% and ranked in the 80th percentile while in the one-year the portfolio underperformed by 0.4% and ranked in the 70th percentile.

Referring to Exhibit 2, on a cumulative basis, the portfolio has added cumulative gains since inception, however, the portfolio has experienced periods of underperformance. While the portfolio focuses on intermediate treasuries, positioning along the term structure avoiding shorter-term maturities detracted from performance over the course of 2023 and 2022.

Fees

The DFA portfolio has an asset-based fee of 0.05% annually. The fee ranks in the 1st percentile among its peers in the eVestment U.S. TIPS/ Inflation Fixed Income Universe. In other words, 99% of the peer universe has a higher fee than the LACERS account.

Conclusion

DFA has outperformed its benchmark index since inception. The firm and team have been relatively stable in the past three-to-five years and employs a disciplined fundamental strategy. NEPC recommends a three-year contract renewal.

The following tables provide specific performance information, net of fees referenced above.





Exhibit 1: Universe Performance Comparison Net of Fees Ending December 31, 2023

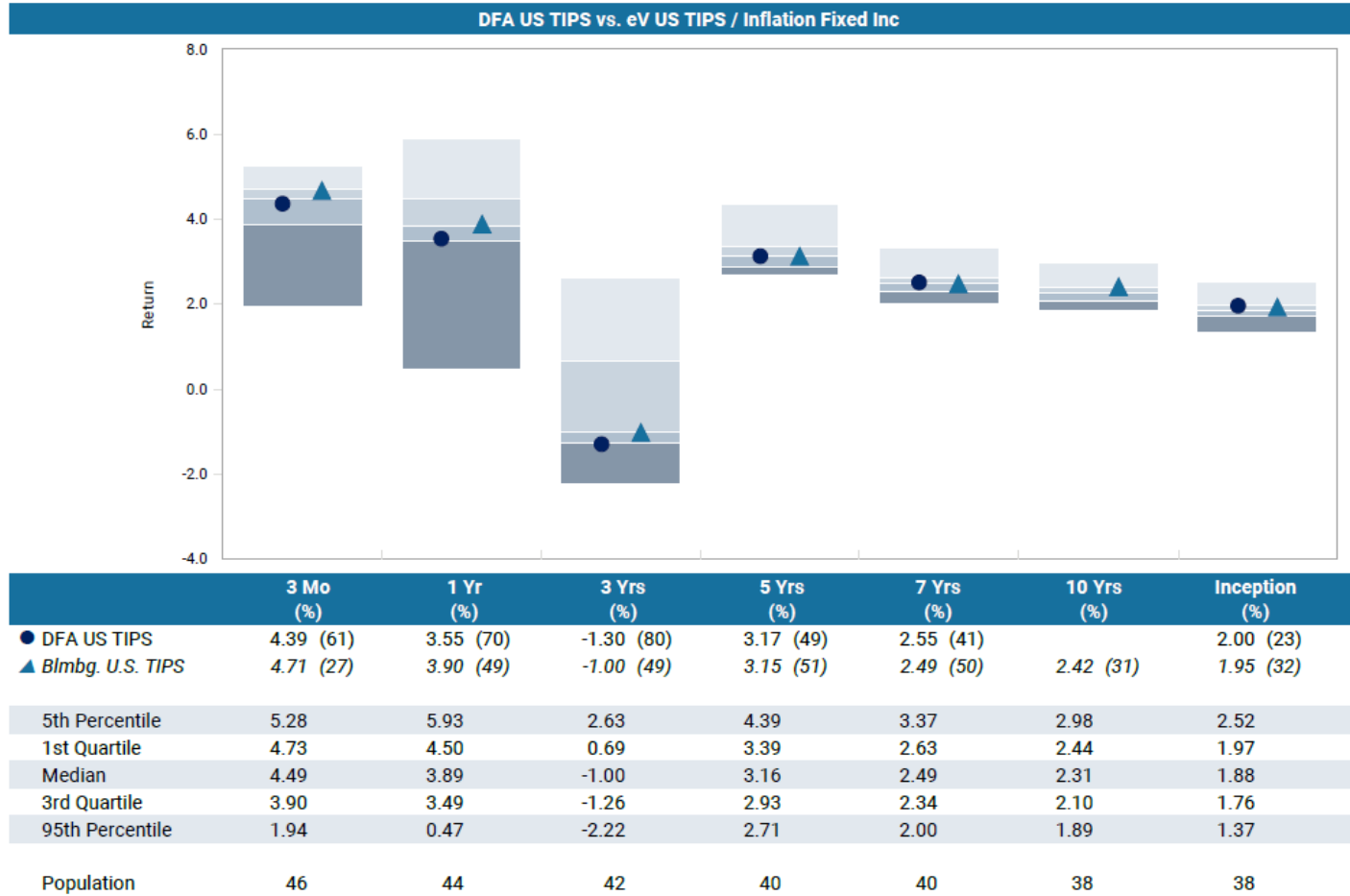


Exhibit 2: Cumulative Excess Performance Net of Fees Ending December 31, 2023

