



LOS ANGELES FIRE & POLICE PENSION SYSTEM

III. BOARD INVESTMENT POLICIES

Updated 02/02/2023

LOS ANGELES FIRE & POLICE PENSION SYSTEM

III. BOARD INVESTMENT POLICIES

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- Section 1.0- Investment Guidelines Policy
- Section 2.0- Private Equity Investments Policy
- Section 3.0- Real Estate Policy
- Section 4.0- Commodities Policy
- Section 5.0- Emerging Managers Policy
- Section 6.0- Risk Management Policy
- Section 7.0- Proxy Voting Policy
- Section 8.0- Manager Selection and Retention Policy
- Section 9.0- Marketing Cessation Policy
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- Section 12.0- Environmental, Social and Governance Policy
- Section 13.0- Addressing Social, Political, and Human Rights Issues
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- Section 16.0- Firearms Investment Policy
- Section 17.0- Enforcement Action and Litigation Reporting Policy

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Los Angeles Fire & Police Pension System

1.0 - INVESTMENT GUIDELINES POLICY

PURPOSE

- 1.1 This document provides a framework for the investment management of the assets of the Los Angeles Fire and Police Pension Plan (“LAFPP,” and hereafter known as the “System” or “Plan” or “Fund”). Its purpose is to assist the Board in effectively supervising and monitoring the investments of the System. Specifically, it will address:
- A. The general goals of the investment program;
 - B. The policies and procedures for the management of the investments;
 - C. Specific asset allocations, minimum diversification requirements, rebalancing procedures, and investment guidelines;
 - D. Performance objectives and criteria for investment performance evaluation; and
 - E. Responsible parties.

The System establishes this investment policy in accordance with Section 1106 of the Charter of the City of Los Angeles (“City Charter”) for the systematic administration of the Retirement Plan. Since its creation, the Board’s activities have been directed toward fulfilling the primary purpose of the System, as described in Section 1106:

“...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...The duty to system participants and their beneficiaries shall take precedence over any other duty.”

The System is an independent department of the City government and is governed by a nine-member Board and an administrative General Manager. In the formation of this investment policy and goal statement, a primary consideration of the Board has been its awareness of the stated purpose of the System. The Board’s investment activities are designed and executed in a manner that will fulfill these goals.

This policy statement is designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while setting forth reasonable parameters to ensure that prudence and care is taken in the execution of the investment program.

Some investment areas are complex enough to have their own sub-policies. These include private equity, private credit, real estate, emerging managers, commodities, manager selection and retention and proxy voting. These sub-policies are found according to their subject heading in the following sections of the Investment Policy.

INVESTMENT OBJECTIVES

- 1.2 The System's general investment goals are broad in nature. The following goals, consistent with the above-described purpose, City Charter citations, and State Constitution have been adopted:
- A. The overall goal of the System's investment assets is to provide Plan participants with post-retirement benefits as set forth in the System documents. This is accomplished through a carefully planned and executed investment program.
 - B. A secondary objective is to achieve an investment return at a reasonable level of risk that will allow the percentage of covered payroll the City must contribute to the System to be maintained or reduced and will provide for an increased funding of the System's liabilities.
 - C. The System's assets are managed in a manner that is cognizant of risk adjusted rates of return. While the System recognizes the importance of the preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. Some risks, such as normal market volatility are generally unavoidable. Other risks, such as investing in emerging markets are knowingly assumed and to a certain degree necessary to implement an Asset Allocation Plan that will meet target returns. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification. Controlling and mitigating unnecessary risks is important to the Plan. As a result, investment strategies are considered primarily in light of their impacts on total Plan assets subject to the provisions set forth in Section 1106 of the City Charter with consideration of the Board's responsibility and authority as established by Article 16, Section 17 of the California State Constitution. Risk is further addressed in Section 6.0 – Risk Management Policy.
 - D. The System's investment program shall always comply with existing and future applicable city, state and federal regulations.
 - E. All transactions undertaken will be for the sole benefit of the System's participants and beneficiaries and for the exclusive purpose of providing benefits to them and defraying reasonable administrative expenses associated with the System.
 - F. The System has a long-term investment horizon and uses an asset allocation, which encompasses a strategic, long-run perspective of capital markets. It is recognized that a strategic long-term asset allocation plan implemented in a consistent and disciplined manner will be the major

determinant of the System's investment performance and risk.

- G. Investment actions are expected to comply with "prudent expert" standards as described in City Charter Section 1106(c):

"...with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims."¹

- H. The investment objective of the total Plan, over a full market cycle, historically 5 - 7 years, is to earn a return on investments matching or exceeding the required actuarial rate of return and an investment performance above the median of a universe of public funds. (Amended 10/06/16)

Active managers should, over the long-term, provide value added net of fees. Active management returns over the long-term should exceed the corresponding index net of fees by an amount commensurate with the risk incurred as well as the other standards set out in the Board's Manager Selection and Retention Policy (Section 8.0).

Passive managers should produce index-like returns net of index fees with minimal tracking error.

DIVERSIFICATION REQUIREMENTS

- 1.3 A maximum of 75% of the Plan's assets may be invested in equity investments excluding Real Estate Investment Trust (REIT) securities and Private Equity.

A minimum of 20% of the Plan's assets shall be invested in fixed income assets.

A maximum of 20% of the Plan's assets may be invested in real property or interests or REIT securities in real property.

No more than 3.5% of the Plan may be invested in the common stock of a single corporation or bonds of an entity not guaranteed by the United States Government.

No more than 5% of the outstanding shares of any corporation may be owned.

Initial funding allocated to an investment manager shall not exceed 20% of similar funds under management by the investment manager.

No investment management firm shall manage more than 20% of the total Plan assets except for passively managed index funds.

No more than 10% of the net investment value of the targeted private real estate portfolio may be invested in any one real property.

¹ ERISA 404(a)(1)(B)

No more than 20% of the targeted real estate portfolio may be invested in any one real estate investment pool.

MANAGER ACCOUNT RESTRICTIONS

- 1.4 Equity and bond managers shall have account guidelines customized for the individual portfolio describing what is and is not allowed. These individual account specifications are created when a new manager is hired and modified when needed and take the form of a letter of agreement. (Amended 10/06/16)

BOARD MEMBER AND STAFF REFERRAL RESTRICTIONS FOR POTENTIAL NEW INVESTMENTS

- 1.5 Potential investments shall be referred to the specific Investment Consultant by Staff or the full Board solely in the interest of contributing to the deal flow seen by the consultant. The referral process is as follows:
- A. A Board member initiates a referral by providing Staff with information about the proposed investment and how the investment was brought to the Board member's attention.
 - B. Staff shall provide this same information for prospective investments referred by Staff.
 - C. Staff shall then place the referral information (who referred it, the nature of the investment and how it came to their attention) on the next Board agenda as a consent item for referral by the full Board to the relevant Investment Consultant. (Amended 10/06/16)
 - D. The Investment Consultant shall be advised that the decision as to whether a prospective investment referred either by Staff or the full Board would be a suitable investment for the System is to be evaluated solely upon the merits of the investment and its fit within the portfolio. No written analysis of the Investment Consultant's evaluation shall be required unless specifically requested by the full Board at the time the referral is made. In each case the Investment Consultant's evaluation of the potential investment, whether the evaluation is a formal written analysis or a verbal report, will be forwarded by Staff to the Board as a "Communications to the Board" item at the next Board meeting following the receipt of the evaluation.
 - E. Staff will make additions or modifications to contracts to carry out the referral and disclosure policies.

ASSET ALLOCATION PLAN

- 1.6 An Asset Allocation Plan shall be adopted and implemented by the Board which provides adequate diversification and gives the expectation of the highest rate of return commensurate with an acceptable level of risk, or volatility.

Conformance with the asset allocation shall be reviewed quarterly except for certain conditions stated in Section 1.7 (E) & (F). Funds shall be rebalanced among asset classes when they are outside their target ranges or when they exceed the allocation target. The Board shall conduct an Asset Allocation study every three to five years, as well as an Asset/Liability study at least every six years. If there is a material change in the underlying actuarial assumptions, risk tolerance of the Board or any event that would cause a comprehensive review of Plan assets, an Asset/Liability study should also be completed. An active versus passive investment management review will be included in the Asset/Liability study or during strategic reviews of asset classes. The current Asset Allocation Plan is attached as Appendix 1 to this Investment Guidelines Policy.

The Asset Allocation Plan shall include, or be based on:

- A. An analysis of the actuarial liabilities of the System;
- B. A review of all viable asset classes; and,
- C. The expected rate of return, correlation, and volatility of all investment asset classes included.

REBALANCING POLICY

1.7 As markets move over time, the actual asset mix of the System's portfolio may diverge from the target allocations established by the Board through the asset allocation process. If Fund assets are allowed to deviate too far from the target allocations, there is a risk that the portfolio will fail to meet the investment objectives set by the Board. On the other hand, the Board is aware that continual rebalancing of the portfolio to the asset allocation targets may result in significant transaction costs and that the Rebalancing Policy is not intended to be used for tactical asset allocation. Cognizant of these risks, the Board directs Staff to rebalance the System's portfolio in accordance with the following guidelines and procedures:

- A. With respect to each major asset class and to the investment structure within each asset class for which the Board has set a target allocation, the Board, in consultation with its Staff and its Investment Consultant, will establish rebalancing range limitations.
- B. Staff will monitor the portfolio's actual asset allocation relative to the target allocations. If the actual allocations fall within the defined ranges, no rebalancing will be required. If the actual allocations fall outside the predetermined range, Staff will implement a rebalancing back within the range of the target allocation. (Amended 09/16/15)
- C. In rebalancing, Staff should prioritize implementation procedures as follows:
 - 1. Maintaining sufficient cash position for recurring liabilities such as benefit payments, capital contributions related to investment fund commitments and expenses. Monthly income generated from all public

accounts (except for account size less than \$100 million) will be allocated to the custodian bank cash accounts to satisfy these recurring liabilities. (Amended 02/02/23)

2. Drawing cash flows out of the portfolio for recurring liabilities from liquid asset classes that are above their range limitations (using interest payments, rental revenues and dividends) provided cash position is deemed inadequate.
 3. Investing net contributions into asset classes (including increasing commitments to illiquid asset classes) that are below their range limitations;
 4. Selling overweighted liquid assets and/or buying underweighted liquid assets.
- D. Whenever rebalancing is required within an asset class that has multiple managers under a single mandate, any reallocation of assets should be done according to the management structure of the asset class. However, if one or more of the managers is on watch list notice pursuant to the Manager Selection and Retention Policy, Staff may use their discretion to adjust the rebalancing weights.
- E. When circumstances arise in which it is impractical to rebalance, asset classes may be deliberately left outside of their ranges for a period of time. Such circumstances may include, but are not limited to, situations when it is known that there are potential asset shifts pending in the portfolio over the next 12 months, such as a hiring/termination of a manager(s), an asset allocation review of the entire portfolio, or a structural review of a given asset class. Illiquid asset classes such as private equity and real estate may be underweight but unable to absorb the full amount of cash needed to bring the portfolio into the asset allocation range for longer periods of time. A liquid asset class may remain overweight while holding the cash that the illiquid asset class cannot absorb immediately. Conversely, an illiquid asset class may remain overweight for an extended period of time if a market downturn has caused a sudden drop in the value of more liquid assets.
- F. Staff will report all rebalancing activities to the Board on a quarterly basis at a minimum. In circumstances where it is impractical to rebalance the portfolio for any market or portfolio-specific reason, Staff shall assess the rebalancing options, notify the Board of the out of balance situation, and report its recommendations to the Board. Staff shall seek approval from the Board to implement rebalancing according to Staff's recommended rebalancing plan in situations that involve leaving the portfolio, or some portion of the portfolio out of balance for an extended period of time.

EQUITIES

- 1.8 The performance objective for the total domestic equity portfolio is to exceed the total return of the Russell 3000 Index net of fees. This and other objectives below are to

be measured over a full market cycle.

The Large Capitalization equity class benchmark is the S&P 500 Index.

The Small Capitalization equity class benchmark is the Russell 2000 Index.

Small capitalization U.S. equity managers may not buy any equity with a market capitalization exceeding the size of the largest equity in the Russell 2000 Index at the time of purchase. (Amended 10/06/16)

The performance objective for the total international equity portfolio is to exceed the total return of the Morgan Stanley Capital International All Country World Index ex U.S. (MSCI ACWI ex U.S.). This and other objectives below are to be measured over a full market cycle.

The Developed International equity class benchmark is the Morgan Stanley Capital International All Country World Index ex U.S., including Canada.

The Emerging International equity class benchmark is the Morgan Stanley Capital International Emerging Markets Free Index.

PRIVATE EQUITY

- 1.9 Private Equity investments may include, but are not limited to, Venture Capital, Buyouts and Special Situations. The purpose of this asset class is to provide increased investment returns for the System.

A separate Private Equity Investments Policy (Section 2.0) includes: objectives of private equity investments; use of private equity managers; and the criteria for approving private equity investments.

FIXED INCOME

- 1.10 The Fixed Income portfolio may include, but is not limited to: Core, Core-Plus, Long Duration, High Yield, Treasury-Inflation Protected, Mortgage-Backed, Unconstrained, and Global Credit bonds. The performance objective for the total fixed income portfolio is to exceed the total return of the Bloomberg US Universal Bond Index. This and other objectives below are to be measured over a full market cycle.

The Domestic Core fixed income class benchmark is the Bloomberg U.S. Aggregate Bond Index.

The Opportunistic fixed income class benchmark is the Bloomberg U.S. Aggregate Bond Index plus 0.50%.

The Long Duration fixed income class benchmark is the Bloomberg U.S. Long Government/Credit Bond Index.

The High Yield fixed income class benchmark is the ICE Bank of America Merrill Lynch US High Yield Constrained Index.

The Treasury Inflation Protected Securities (TIPS) fixed income class benchmark is the Bloomberg U.S. Government Inflation-Linked Bond Index.

The Unconstrained fixed income class benchmark is the Merrill Lynch U.S. 3-month Treasury Bill rate plus 1%.

The Global Credit fixed income benchmark is a custom benchmark comprised of 50% Bloomberg Global Aggregate Credit Index USD Hedged (LGDRTRUH), 16.7% ICE BofAML Developed Markets High Yield Index USD (HYDM), 16.7% JP Morgan Emerging Markets Bond Index Global Diversified USD (JPGCCOMP), and 16.7% Credit Suisse Leveraged Loan Index (CSLLLTOT).

CASH (SHORT TERM FIXED INCOME)

- 1.11 The primary concern in investing the cash portfolio is safety of principal. Liquidity comes second and yield comes last.

REAL ESTATE

- 1.12 Real Estate investments may include but are not limited to individually managed accounts, commingled real estate funds, and Real Estate Investment Trusts (REITs). The purpose of this asset class is to enhance the risk/return characteristics of the System's investments.

A separate Real Estate Investments Policy (Section 3.0) includes: objectives of real property investments; maximum amounts or percentages that may be invested in individual properties or types of properties; requirements for diversification and criteria for selecting advisers and appraisers.

SECURITIES LENDING

- 1.13 Securities lending is the lending of equity and fixed income securities held in the System to qualified borrowers who provide collateral in exchange for temporary use of the securities. Incremental income is generated through fees or the investment of the collateral during the time of the loan.

Securities lending income is only a secondary consideration to the operation of a securities portfolio. If it interferes with the portfolio management or the risks versus the return for a specific portfolio are uncertain, the securities will not be loaned out. All loaned securities must be collateralized and marked to market daily. Non-U.S. dollar denominated securities shall be collateralized at 105 percent of current market value. Domestic U.S. dollar denominated securities shall be collateralized at 102 percent of current market value.

PERFORMANCE MONITORING

- 1.14 Investment performance shall be reviewed and evaluated quarterly with the assistance of an outside performance measurement firm or general investment consultant.

A time-weighted method of performance measurement will be used for equity and bond accounts. An internal rate of return calculation will be used for appropriate asset classes such as private equity, private credit, and some real estate accounts.

Comparisons will be made of:

- A. The total Plan against the actuarial rate of return, target allocation return, and other pension funds.
- B. The total equity, fixed income, real estate, and private equity portfolios against the Russell 3000 Index, Bloomberg U.S. Universal Bond Index, the Real Estate Custom Index, and the S&P 500 Index plus 2.5%, respectively.
- C. Individual investment managers against their stated objectives and, if applicable, against managers of a like style.
- D. Risk-adjusted returns using standard industry adopted statistical measures not limited to Sharpe ratio, information ratio, and tracking error.

See Section 8.0 – Manager Selection and Retention for more detailed procedures for evaluating individual investment managers.

TRADING

- 1.15 All trading is to be done on a best execution basis.

Investment managers shall use a variety of Los Angeles based brokers when feasible, subject to best execution.

The Board encourages the use of minority, woman, persons with disabilities, US Military veterans and lesbian, gay, bisexual, transgender and queer (LGBTQ) owned brokers by the Board's managers for the System's actively managed domestic and international exchange traded equity transactions subject to best execution. However, the Board does not encourage step-out type transactions. (Amended 01/20/22)

Board policy is to employ commission recapture and not soft dollars.

PROXY VOTING

- 1.16 Proxies shall be voted in accordance with guidelines adopted by the Board.

See Section 7.0 – Proxy Voting Policy for more detailed voting guidelines on specific proxy issues.

HISTORY

- 1.17 Adopted: Circa 1980

Revised:

Investment Guidelines Policy

02/11/1982	04/08/1993	04/20/2006	06/18/2009	04/16/2020
03/08/1984	05/20/1993	05/03/2007	08/20/2009	10/01/2020
04/27/1989	12/09/1993	05/17/2007	09/18/2014	11/18/2021
05/11/1989	06/15/1995	08/02/2007	10/16/2014	01/20/2022
04/19/1990	01/20/2000	02/21/2008	09/16/2015	10/20/2022
08/01/1991	01/08/2004	03/20/2008	10/06/2016	02/02/2023
11/21/1991	01/19/2006	05/01/2008	09/06/2018	
12/17/1992	02/02/2006	09/18/2008	10/03/2019	

REVIEW

- 1.18 The Investment Guidelines Policy and its subsequent sub-policies shall be reviewed by the Board annually. (Amended 10/16/14)

APPENDIX 1 - 2022 ASSET ALLOCATION WITH 2020 SUB CLASSES

Asset Class	Target Allocation	Lower Range	Upper Range	Range (%)
Broad US Equity	29%			
Domestic Large Cap Equity	23.00%	20.24%	25.76%	12.00%
Small Cap. Equity	6.00%	4.71%	7.29%	21.50%
Broad International Equity	21%			
International Developed Equity	16.00%	13.60%	18.40%	15.00%
International Emerging Markets	5.00%	3.60%	6.40%	28.00%
Private Equity	14%			
Private Equity	14.00%	10.50%	17.50%	25.00%
LAFPP Custom Fixed Income	22%			
Core Bonds	9.90%	9.31%	10.49%	6.00%
TIPS	4.40%	4.13%	4.68%	6.25%
High Yield Bonds	2.75%	2.37%	3.14%	14.00%
Unconstrained Fixed Income	2.20%	1.98%	2.42%	10.00%
Global Credit	2.75%	2.37%	3.14%	14.00%
Private Credit	2%			
Private Credit	2.00%	1.50%	2.50%	25.00%
LAFPP Custom Real Estate	10%			
Real Estate	7.00%	6.00%	8.00%	14.25%
REITs	3.00%	2.51%	3.50%	16.50%
Commodities	1%			
Commodities	1.00%	0.76%	1.24%	24.00%
Cash Equivalents	1%			
Cash*	1.00%	1.00%	4.00%	300.00%
TOTAL	100%			

NOTES

Board reaffirmed the August 20, 2020 Asset Allocation on October 6, 2022, with the Fixed Income restructure approved on December 2, 2021.

Cash upper range to 4% per the March 19, 2009 Board meeting.

*Cash range adjusted for liquidity needs and frictional cash rather than standard deviation of asset class.

(Amended 10/20/22)

Los Angeles Fire & Police Pension System

2.0 - PRIVATE EQUITY INVESTMENTS POLICY

INTRODUCTION

2.1 The Board has a fourteen percent (14%) allocation to Private Equity. Private Equity Investments are understood to mean non-traditional, often private, usually illiquid investments, both domestic and international. They may include, but are not limited to the following categories: (Amended 10/06/16)

- Venture Capital
- Buyouts
- Special Situations

INVESTMENT OBJECTIVES

2.2 This asset class offers the potential for higher returns for the System's overall investment program. (Amended 10/01/20)

For asset modeling purposes, Private Equity Investments as a class is projected to produce over a long period of time (ten years) two and one-half percentage points (2.5%) per year more than public equities. Since risk is high for any individual investment within this class, it is anticipated that the projected return for each individual investment should be even higher, in order for the program overall to achieve the targeted return for this asset class.

Diversification within the Private Equity Investment asset class is a primary risk control strategy and also a means of exposing assets to a large universe of high potential return private businesses. Investments will include all stages of venture capital, buyouts, and such other special debt and equity vehicles as will meet the return objectives. In addition, diversification across vintage years is important to attain proper diversification of the private equity portfolio. Consequently, the Private Equity Investment program will attempt to make commitments to each subset of the private equity asset class, including all stages of venture capital, buyout and special situation, each year. Diversification within the asset class, however, shall never supersede the return objective as a basis for approving any particular investment.

Limited partnerships of pooled vehicles will be the primary investment structure.

USE OF PRIVATE EQUITY CONSULTANTS

2.3 Consultants may be hired by the Board to assist in the management of the Private Equity investment program. Depending upon the needs of the Board, consultants may be responsible for assessing deal flow, reviewing prospective investments, and performing complete due diligence on potential investments. In addition, consultants may negotiate terms with the private equity funds, prepare contracts and subscription documents, monitor capital call and distribution requests, sit on

Fund Advisory Boards and perform such other tasks as the consultant's expertise and the needs of the Board may warrant. Consultants serve as fiduciaries to the Board and may be hired in a discretionary or non-discretionary capacity.

Consultants may receive information about prospective investments from Board members or Staff, and each consultant shall designate a contact person within the firm to receive and coordinate all such information. The General Manager shall designate a member of Staff to coordinate such communications between the consultants and Board or Staff members. Prospective investments referred by a Board or Staff shall not influence the consultant's evaluation of the prospective investment. Such referrals and information will be given solely in the interest of contributing to the deal flow considered by the consultant and supplementing the information the consultant gathers. The procedure for Board and Staff member referrals is outlined in Section 1.5 of this policy.

The consultant may consider ESG (Environmental, Social, and Governance) and DEI (Diversity, Equity, and Inclusion) as factors to be included in the analysis of investments.

PRIVATE EQUITY APPROVAL PROCESS

- 2.4 The Private Equity consultant will evaluate and perform the due diligence for funds to be considered for investment by the Board. The Private Equity consultant will submit a fund investment memo that includes how the recommended fund commitment fits into the calendar year pacing and target portfolio to Staff for evaluation. After review, if Staff concurs with the fund recommendation, the consultant will present the fund investment memo to the Board for its approval. If Staff does not agree with the consultant's fund recommendation, the consultant will either present the fund recommendation to the Board (including a statement of Staff's nonconcurrence) or withdraw the fund recommendation.

Private Equity Specialized Fund Manager selection criteria are found in Section 5.10.

GUIDELINES

- 2.5 The allocation to Private Equity Investments is fourteen percent (14%). There shall be an over allocation factor assigned to take into consideration the average funding time and maturing of investments in this asset class versus the expected growth of the total System. (Amended 10/06/16)

The following limits and ranges shall apply to the program:

- A. Maximum commitment to each partnership: \$100 million.
- B. Allocation to Private Equity Investment subsets: 15-40% Venture Capital, 20-60% Buyout, and 15-40% Special Situations. Maximum allocation to any subset shall not exceed 60%.

PROGRAM MONITORING EVALUATION

- 2.6 Consultants shall report in writing at least quarterly on the portfolio as a whole and on each individual sector in the portfolio, return and portfolio structure shall be emphasized. For each investment, the carrying value, income, description of activity, and evaluation of current status compared to original intent and objectives would be appropriate. At least once a year, consultants shall make a complete performance and portfolio report to the Board in person. In addition, consultants may be asked to provide/present other reports as requested by the Board.

In order to promote industry best practices including transparency, uniformity and alignment of interests, Private Equity Fund Managers including Specialized Managers are encouraged to use the ILPA (Institutional Limited Partners Association) reporting template. This template provides the investor or the LP (Limited Partner) information on the fund valuation, income, fees and expenses, fee offsets, incentive allocation or carried interest, and unfunded commitment.

CALIFORNIA GOVERNMENT CODE

- 2.7 Every California public investment system is obligated to require each alternative investment vehicle in which it invests to make disclosures of information, at least annually, according to California Government Code Section 7514.7. The law applies to all new contracts the public investment system enters into on or after January 1, 2017, and to all existing contracts pursuant to which the public investment system makes a new capital commitment on or after January 1, 2017.

HISTORY

- 2.8 Adopted: May 3, 2001

Revised:

06/05/2003	11/05/2009	10/06/2016	10/01/2020
08/21/2003	07/21/2011	09/06/2018	05/06/2021
03/02/2006	09/18/2014	10/03/2019	11/18/2021
02/01/2007	06/16/2016	04/16/2020	10/20/2022

Los Angeles Fire & Police Pension System

3.0 - REAL ESTATE POLICY

INTRODUCTION

- 3.1 LAFPP has determined that, over the long-term, inclusion of real estate investments will enhance the overall diversification and risk/return characteristics of the System's portfolio investment.

This document establishes the specific objectives, policies and procedures involved in the implementation and oversight of the System's real estate program. The objectives define the specific risk tolerance and return expectations for the program. The policies provide specifications for acceptable investment styles and management of the various risks associated with the asset class. The procedures provide guidelines for the implementation and oversight of said policies.

INVESTMENT OBJECTIVES

- 3.2 A. Asset Allocation

LAFPP has approved a long-term asset allocation target of ten percent (10%) for investment in real estate investments – seven percent (7%) for private real estate and three percent (3%) for REITs. The allowable private real estate variation range is plus or minus one percent (1%) percent of the System's total assets. For REITS, the variation range is five-tenths of a percent (.50%). (Amended 11/18/21)

- B. Return Objectives

The Board has determined that the objective of the System's real estate portfolio will be to enhance the diversification of the LAFPP Total Plan while achieving a long-term risk-adjusted return that is consistent with the General Consultant's expected return. Active management, value creation strategies and the prudent use of third-party debt are approved methods for generating the expected excess return above core real estate. The Board has approved the following benchmarks for the Real Estate Portfolio:

Style	Benchmarks
Public Real Estate	50% Dow Jones US Real Estate Securities Index (Gross) and 50% FTSE EPRA/NAREIT Developed Index (Gross)
Private Real Estate	NFI-ODCE + 50 bps (Net)
LAFPP Total Portfolio	LAFPP Benchmark, weighted 30% Public and 70% Private

LAFPP will seek to meet or exceed the Total Portfolio return target over rolling five-year time periods and may use shorter term measurements

(typically most recent quarter and the trailing one-year, three-year, and five-year periods) to gauge progress relative to that goal. Other fund indices maintained by NCREIF will be used to provide additional perspective on performance and/or to facilitate attribution analysis. Shorter term performance and risk assessment will utilize a risk adjusted benchmark using return expectations by style in a customized, weighted benchmark to reflect the actual composition of the portfolio and the expected return of same.

It is important to note that LAFPP may underperform the benchmark across shorter time periods as legacy investments liquidate and new Non-Core investments are made.

In order to meet or exceed the LAFPP Benchmark after fees, the System will maintain a portfolio composition within the following targets and ranges:

	Target Allocation	Tactical Range
Public Real Estate	30%	25% - 35%
Private Real Estate	70%	65% - 100%

LAFPP Private Real Estate Portfolio		
	Target Allocation	Tactical Range
Core	60%	50% to 70%
Non-Core	40%	30% to 50%
<i>Value Added</i>	20%	0% to 50%
<i>Opportunistic</i>	20%	0% to 50%

INVESTMENT POLICIES

3.3 A. Portfolio Composition

The System divides the range of available real estate investment strategies ('styles') into four primary categories: (1) Core, (2) Value Add, (3) Opportunistic and (4) Public Securities. The style groups are defined by their respective market risk/return characteristics:

Core Characteristics

- Operating and substantially leased properties;
- Property types include office, apartment, retail, industrial, hotels and other (self-storage, medical office, senior and student housing);
- Total return is primarily attributable to income;
- Conservative leverage (0% - 40%, measured on a loan-to-value (LTV) basis).

Value Add Characteristics

- Properties requiring lease-up, rehabilitation, repositioning, expansion or those acquired through forward purchase commitments;
- Property types include office, apartment, retail, industrial, hotels and other (self-storage, medical office, senior and student housing);
- Total return is attributable to a balance between income and appreciation;
- Moderate leverage is typically utilized (30% - 60%, measured on a LTV basis).

Opportunistic Characteristics

- Properties or real estate companies offering recapitalization, turnaround, development, market arbitrage opportunities;
- No property types are excluded, and properties may include business operations (e.g. hotels, congregate care and real estate entity-level growth capital) as well as office, apartment, retail, industrial;
- Total return is primarily attributable to appreciation and generally recognized upon sale of the asset;
- Moderate to high leverage is typically utilized (50% - 80%, measured on a LTV basis).

Public Securities Characteristics

- Shares of publicly traded securities offered by companies operating real estate assets as a primary source of corporate revenue.

B. Risk Management

The primary risks associated with equity real estate investments are investment manager risk, property market risk, asset and portfolio management risk, loss of principal and liquidity risks. The System will mitigate risk in a prudent manner. The following policies have been established to manage the risks involved in investing in real estate equity.

1) *Investment Structures*

The System recognizes that, regardless of investment structure, real estate is an illiquid asset class. Structures that maximize investor control are preferred, particularly in Core investments (Separately Managed Accounts and Open-End Commingled Funds). The System also recognizes that the Value Add and Opportunistic styles require the assumption of additional risks including diminished investor control.

The Core investment style is considered to be less risky (thereby providing lower returns) than Value Add and Opportunistic investments. The lower risk assigned to Core investments is due to three primary characteristics: (1) the level and predictability of the income generated, (2) the higher proportion of the total return attributable to income and (3) the limited use of debt usually associated with these styles.

The Value Add and Opportunistic investment styles seek to provide higher returns with higher risk than the Core component of the portfolio. Value Add investments are those capable of exhibiting Core characteristics but need an additional level of active management in order to regain or realize their Core position. Opportunistic investments seek to capitalize on market inefficiencies and opportunities (e.g. capital voids, market recovery, development, distressed sellers, financial engineering) and debt to provide excess returns. Because of the degree of reliance on active management necessary to capitalize on such market inefficiencies, investments will be accessed through structures that allow a high degree of manager discretion.

The System will utilize the following investment structures:

a) Separately Managed Accounts (“SMA”)

For the Core and Value Add strategies, the System may purchase assets on a wholly owned basis through Separately Managed Account structures. The System may consider joint venture or co-investment ownership, as an equal or greater partner, within SMA structures.

b) Commingled Funds

For Core and Value Add strategies, the System will also consider Open-End Commingled Funds (OECFs). OECFs are an infinite life pool of assets diversified by geography and property type. OECFs are complementary to smaller SMAs as they provide access to larger, Core, “trophy” properties that a smaller SMA would not be able to purchase. There are also OECFs that target various levels of value-add risk and provide similar diversification and risk/return benefits.

For Value Add and Opportunistic strategies, the System will purchase assets through the ownership of units or shares of Closed-End Commingled Funds. Closed-End Commingled Funds differ from OECFs in that they are finite life vehicles. Any legally permissible vehicle will be allowed including, but not limited to, joint ventures, limited partnerships, real estate investment trusts (private) and limited liability corporations.

2) *Defined Roles for Participants*

The real estate program shall be planned, implemented, and monitored through the coordinated efforts of the Board, Staff, Real Estate Consultant (“Consultant”) and Investment Managers (“Manager” or “Managers”). The major responsibilities of each participant are outlined in Appendix 1.

3) *Diversification*

The System will seek to diversify its Real Estate Portfolio by manager, property type, property location, investment style, and within the Opportunistic Portfolio, by investment strategy. Investment property types must be consistent with the groups as follows:

- Core includes office, retail, apartments, industrial, hotel and limited non-traditional property types (including self-storage, medical office, senior and student housing).
- Value Add and Opportunistic have no restrictions on property type.

It is expected that at various points in time, the portfolio may be more heavily exposed to a single property type or location by virtue of opportunities available in the market. Exposure to any single property type (i.e. office, retail, apartment, industrial or other) or geographic region in excess of forty percent (40%) of the Private Real Estate Portfolio must be reviewed as an exception by the Board. (Approved 07/16/15 and amended 09/16/15)

International investments will be limited to no more than thirty percent (30%) of the total targeted Private Real Estate Portfolio and may include private and public investments in the Core and Non-Core style groups.

Separately Managed Accounts

The System's SMA management agreements, individually or as a group, will provide for diversification by property type, economic sector and location in order to minimize any such concentration which might, in turn, impact the stability of rental income over market cycles.

Commingled Funds

Diversification by Strategy and Manager will be used to minimize sponsor or strategy concentration, which might, in turn, impact the performance of the Value Add and Opportunistic allocation and/or the total portfolio. The Commingled Funds will provide reporting which will allow the System to monitor its geographic and property type diversification.

4) *Leverage*

The use of leverage is a prudent tool for enhancing returns and diversifying equity investments. As such, the System has approved leverage limits in order to maximize returns to the total portfolio. The availability and cost of leverage will be factors considered in determining its use. At no time shall the origination of leverage exceed the established limits on a loan-to-value basis. In the event that a leverage constraint is breached due to a contraction in market values,

the System's Staff and Consultant will notify the Board and make a recommendation for action or exception.

a. Core

For the Core Portfolio, the System has established a forty percent (40%) leverage limit. For any single Core asset, third-party debt will be limited to fifty percent (50%) of the market value of the asset, must provide sufficient net operating income ("NOI") for one hundred percent debt-service coverage and must be non-recourse. Property specific debt will be monitored through the Manager Investment Plans and Preliminary Investment Packages. In all cases, leverage shall provide a return premium over the unleveraged IRR equal to three basis points (3 bps) of return for each one percent (1%) of leverage.

b. Non-Core

The System has determined that leverage on these Non-Core investments should be determined based on strategy and opportunity. Investments made through Commingled Funds will have a specified leverage target or maximum stated in the offering documents. Debt levels and structures will be evaluated when reviewing a specific offering. Investments made through the System's SMA will be limited to sixty percent (60%) of the market value of the asset. Property specific debt will be monitored through the Manager Investment Plans and Preliminary Investment Packages. In all cases, leverage shall provide a return premium over the unleveraged IRR equal to three basis points (3 bps) of return for each one percent (1%) of leverage.

c. Total Portfolio

The System will also monitor leverage at the Total Portfolio level. In the event that the Total Portfolio leverage exceeds 60%, on a loan-to-value basis, both Staff and Consultant will evaluate going forward investment opportunities so as to reduce Portfolio leverage. This will act as a 'governor' and not a constraint at the Total Portfolio level.

5) *Property Investment Size*

At the time of investment, individual Open-End investments are limited to ten percent (10%) of the private real estate portfolio market value, and individual Closed-End investments are limited to five percent (5%) of the private real estate portfolio. A single property within an SMA is limited to five percent (5%) of the private real estate portfolio based on initial invested equity.

Moreover, at no time shall the net investment value of a single property within an SMA exceed ten percent (10%), a Closed-End Commingled

Fund exceed ten percent (10%), or an Open-End Commingled Fund exceed twenty percent (20%) of the net investment value of the targeted private real estate portfolio. In addition, the capital allocated to any single Commingled Fund shall not exceed a pro rata position of fifteen percent (15%) of the total equity raised by the final close of the investment vehicle.

The minimum investment size shall be \$5 million on a Gross Property Value basis. In the case of investments by the Account Manager on a commingled basis with co-investors, the maximum property investment shall be measured only by the value of the Plan's direct (equity) or indirect (e.g., participating or convertible mortgage) investment. (Amended 11/18/21)

6) *Valuations*

All investments in an SMA vehicle will be independently valued not less than every three years by a qualified expert (certified MAI or Member of the Appraisal Institute), performed on a rotational basis within the Total SMA Portfolio. Exceptions will be granted by Staff during times when a property or market specific event may have a considerable impact on property value. During interim periods, valuations will be performed by the Investment Manager responsible for management of each investment. Such interim valuations may be used for performance measurement purposes.

Investments held in Commingled Funds will be valued using the valuation methodology approved with the selection of the particular investment.

7) *Investment Manager Concentration*

No single investment manager should manage more than thirty percent (30%) of the total real estate portfolio unless an exception is approved by the Board.

C. *Discretionary Authority*

The Policies and Procedures described herein are structured to control investment risk as well as to enhance the System's ability to execute transactions.

1) *Separately Managed Accounts*

The SMA Manager selection process, more fully described in Section 3.4.A.1 of this document, is structured to ensure prudent Manager selection in order to allow Manager(s) to assume an appropriate level of discretion, balanced by controls established and monitored by the Board, Staff and Consultant. Preference will be given to those SMA vehicles allowing greater investor control.

2) *Commingled Funds*

Commingled Funds are structured to give the highest level of discretion to the Manager. The limited investor control of management decisions inherent in Commingled Fund investments is appropriate given the flexibility required to achieve higher expected returns. Investments made in Commingled Funds are monitored for compliance with vehicle documents through quarterly performance measurement procedures.

INVESTMENT PROCEDURES

3.4 The Annual Investment Plan identifies the investment needs of the portfolio and establishes the parameters for the selection of appropriate investments. The particular needs for each Annual Investment Plan will be established in light of the structure, objectives and performance of the existing portfolio as well as current market opportunities. All Annual Investment Plans will be consistent with the policies detailed in Section 3.3A-C.

A. Separately Managed Accounts

The following procedures will be utilized for selection of SMA Managers, as well as for investment and the subsequent control and monitoring of SMA allocations.

1) *Manager Selection Process*

- a. Board, assisted by the Consultant, shall establish qualification criteria consistent with the purpose of the search.
- b. Consultant shall screen its database to identify Manager candidates exhibiting qualities consistent with the qualification criteria. Board may identify additional candidates.
- c. Board, assisted by the Consultant, shall establish evaluation areas, desired levels of competency and respective weightings for evaluation factors.
- d. A Request for Information (RFI) shall be forwarded to qualified Manager candidates identified by Consultant and Board.
- e. Staff and Consultant shall review and evaluate RFI responses, identify material issues related to each candidate, including proposed fee structures, and compile numerical rankings for each respondent for each objective evaluation factor.
- f. Staff and Consultant shall prepare a report to the Board that reviews the findings of interviews/on-sites.
- g. Staff, with the assistance of Consultant, shall coordinate final presentations which will be held at a noticed meeting.

- h. The Board shall select a Manager based on review and evaluation of information presented in the steps listed above.
- i. Staff and Consultant will negotiate and close manager agreements, including final fee structures.

2) *Investment*

a. Manager Investment Plan

Each SMA Manager shall prepare a Manager Investment Plan, which sets forth the investment criteria for said Manager's allocation including the reinvestment of proceeds from sales or refinancing's. The investment criteria shall be consistent with the Strategic Plan and Implementation Plan as prepared by the Consultant and Staff and approved by the Board. Plans will also set forth the SMA Manager's evaluation of current market opportunities and include a summary of the Annual Disposition Review (see Section 3.4.A.3c) of each asset in the context of the market evaluation.

b. Review and Approval Process

The Board will review and approve all purchases, sales or exchanges of real property. The SMA Manager will notify Staff and Consultant of a property proposed for acquisition by the System. The formal approval process is attached as Appendix 2 to this document.

c. Funding Procedures

The Manager shall provide the Staff and Consultant with a critical dates list with respect to an acquisition, including document execution and funding and closing dates, updating the list as necessary.

3) *Control and Monitoring*

a. Budget and Management Plan

After the end of the fiscal year, each SMA Manager shall submit a Budget and Management Plan for the upcoming year for each direct investment and the aggregate SMA portfolio. The Budget and Management Plan must include a narrative strategy and an estimated income and cash flow statement for the ensuing year. The statement will include gross revenues, expenses, percentage rent, additional interest, property management fees, net operating income, tenant improvements, leasing commissions, capital expenditures, cash flow before and after debt service and asset management, incentive and other fees along with quarterly or monthly distribution projections.

Staff and Consultant will meet with the Manager personnel directly responsible for portfolio and asset management for a review and evaluation of the reasonableness of the submitted Budget and Management Plan.

During the ensuing year, the Manager shall notify the Retirement System in writing within a reasonable time of the occurrence of any significant event relating to an investment, which was not projected in the submitted Budget and Management Plan.

b. Annual Disposition Review

SMA Managers shall provide an annual disposition analysis of each asset under management. The disposition analysis shall include hold/sell scenarios over long and short-term periods and incorporate an opportunity cost analysis. The analysis will also provide an evaluation of the asset in light of original investment objectives, the asset's compliance with the current Strategic Plan, Investment Plan and Manager Investment Plan and the reasonableness of the current valuation given market conditions for divestment.

The Annual Disposition Review shall be included in the Budget and Management Plan and the Manager Investment Plan.

4) *Manager Monitoring and Retention*

Performance of the SMA Manager is evaluated by Staff and Consultant quarterly (and more formally, on an annual basis during the Annual Budget and Management Review). The Board maintains the right to terminate an SMA manager at any time they deem such action to be in the best interest of the System.

B. Commingled Funds

The following procedures will be utilized in the selection, closing and monitoring of specific CF investments.

1) *CF Selection Process*

- a. Consultant reviews current offerings and Board requests using criteria established in the approved Strategic and Annual Investment Plans.
- b. Consultant and Staff concur on recommendations to go to the Board.
- c. Consultant and Staff present recommendations to the Board for approval.

2) *CF Screening Standards*

- a. CF vehicles will be used to provide either 1) unique or opportunistic strategies which are not readily available through separate accounts, or 2) exposure to property categories not adequately represented in the portfolio.
 - b. Funds with competitive terms/structure on overall basis including fees, expenses, governance provisions, lockup periods, reasonableness of fund-raising goals in relation to existing assets and capacity.
 - c. Funds/managers with favorable track records evaluated in context of property type(s) invested in and risks taken (leverage, leasing, development, redevelopment, etc.). No investment in a first-time fund unless the fund sponsor has experience investing institutional capital as a fiduciary and can show full cycle returns (e.g., buy, hold and sell) using the same strategy.
 - d. Funds with favorable management factors, including experience of personnel, length of time management has worked together, incentive-oriented compensation structure for decision-makers, etc.
 - e. Funds with manager interests aligned with investors -- either by co-investment or performance-oriented fees or both.
 - f. Funds may be referred to the consultant. The procedure for Board and Staff member referrals is outlined in Section 1.5 of this policy.
- 3) *CF Control and Monitoring*

CF investments will be monitored quarterly by Staff, with Consultant's assistance, to evaluate investment performance and to ensure compliance with vehicle documents.

C. Performance Measurement Report

On a quarterly basis, the Consultant will prepare a comprehensive report addressing each investment and/or asset, SMA, and Manager. The evaluation system shall provide such information as may be required by the Plan to understand and administer its investments and Managers.

The content of the report shall include attributes for the assets individually (under SMAs), the investment managers and the total portfolio including: income, appreciation, gross and net returns, cash-flow, internal rate of return, diversification, comparisons to relevant industry performance indices and information reporting standards, and Strategic Plan and Investment Plan compliance. Each investment will be reviewed for significant events and projected performance and an opinion provided with respect to Manager performance. Budget and Management Plan variances, as reported by SMA Managers, will also be provided.

The Consultant shall prepare and forward to the Plan a Performance

Measurement Report within ninety (90) days following the last day of each quarter given receipt of full and complete manager reporting. (Amended 10/06/16)

HISTORY

3.5 Adopted: November 17, 2005

Revised:

07/20/2006	05/03/2007	08/20/2009	10/06/2016	11/18/2021
09/07/2006	04/17/2008	09/18/2014	09/06/2018	10/20/2022
01/18/2007	07/10/2008	09/16/2015	10/03/2019	
02/01/2007	06/18/2009	12/17/2015	10/01/2020	

APPENDIX 1 - DEFINED ROLES FOR PARTICIPANTS

Duties of the LAFPP Board

- Establishes the role of the real estate investment program in light of the total portfolio objectives.
- Approves the allocation to real estate and approves any adjustments to the allocation which may from time to time be necessary.
- Approves the Strategic Plan (Objectives, Policies and Procedures) and the Investment Plan for the real estate program.
- Reviews the real estate portfolio on a semi-annual basis to evaluate the investment performance and to ensure compliance with policy guidelines and approved Investment Plans.
- Reviews and approves Requests for Information as developed by Staff and Consultant to be used in Separately Managed Account (“SMA”) manager selection.
- Reviews recommendations for selection of Managers, Investment Partners or Ventures, and Commingled Fund Sponsors and approves firms for selection.
- Reviews recommendations for removal of Managers and takes appropriate action.
- Reviews Staff and Consultant recommendations on asset purchase and sales and takes appropriate action.
- Reviews Staff and Consultant summary of and recommendations with regard to Manager Investment Plans and Budget and Management Plans.

Duties of the LAFPP Staff

- Reports to the Board on matters of policy.
- Oversees Consultant’s preparation of the Strategic Plan and Investment Plan.
- Participates with the Consultant in the Annual Real Estate Portfolio Review, including Budget and Management Plans and presents summary findings to the Board.
- Brings any non-conforming items or significant issues to the attention of the Board.
- Documents and monitors funding procedures.
- Completes any other activity as directed by the Board.
- Monitors the performance of the real estate portfolio.
- Attends quarterly meetings, annual meetings, Advisory Board meetings and on-site due diligence meetings.

Separately Managed Account (“SMA”) Duties:

- Conducts searches for professional services and investment managers and, with the assistance of the Consultant, recommends finalists to the Board for approval.
- Oversees preparation of annual Manager Investment Plans. Presents and recommends Manager Investment Plans to the Board for review.
- Reviews the Budget and Management Plans prepared by SMA Managers and presents summary findings to the Board.
- Reviews Preliminary Investment Packages and compliance analysis prepared by SMA Managers and submits the results to the Board.

- Reviews fees for compliance and ensures that Incentive Fees are processed appropriately.
- Performs other duties required to execute the SMA Investment Procedures.
- Manages the closing process, and with legal counsel, reviews and executes any required documentation for acquisitions, refinancing and other capital transactions between SMA Managers and the Retirement System.
- Conducts on-site due diligence on each asset with a target portfolio rotation of once every three years.

In the event that an SMA Manager(s) is terminated by the LAFPP Board, the following actions shall be carried out by LAFPP staff in conjunction with the LAFPP Board's Consultant:

- Deliberate and appoint an Independent Appraisal Firm to determine the Value of SMA Asset(s).
- Provide a First Draft of the Independent Appraisal Firm's Report to the incumbent SMA Manager(s) and to the newly appointed SMA Manager(s) for review and comment.
- The incumbent SMA Manager(s) and newly appointed SMA Managers(s) shall provide one (1) round of comments to the Consultant who will share such comments with the Independent Appraisal Firm.
- The Independent Appraisal Firm, at its sole discretion, may review and consider comments from both the incumbent SMA Manager(s) and the newly appointed SMA Manager(s) prior to issuance of a Final Appraisal Value to be considered the final SMA Asset(s) Transfer Value.

Commingled Fund ("CF") Duties

- With the assistance of the Consultant, conducts screening, review, and selection for recommendation of CF offerings.
- Oversees the commitment process, and with legal counsel, reviews and executes any required documentation.

Duties of the Consultant

- Reports directly to the Board, and Staff on matters of policy.
- Brings any non-conforming items or significant issues to the attention of the Staff and/or Board.
- Monitors the performance of the real estate portfolio and compliance with approved policy.
- Prepares the Strategic Plan and Real Estate Investment Plan and, in conjunction with Staff, presents the Plans to the Board for review.
- Prepares a quarterly Performance Measurement Report (PMR) to evaluate investment performance and to ensure compliance with policy guidelines and approved Investment Plans. Presents reports semi-annually.
- Assists Staff in the Annual Real Estate Portfolio Review.
- Provides Staff and/or Board with topical research and education on investment subjects that are relevant to LAFPP.

Separately Managed Account ("SMA") Duties

- Assists Staff in conducting searches for investment managers and preparing recommendations for the Board.
- Oversees Manager preparation of annual Manager Investment Plans, and, in conjunction with Staff, presents Plan summaries to the Board.
- Reviews the Budget and Management Plans prepared by SMA Managers and, in conjunction with Staff, present summary findings to the Board.
- Reviews proposed acquisitions for pricing comparability with independent market information and provides final recommendation for approval/disapproval of each acquisition.
- Performs other duties required to execute the SMA Investment Procedures.

Commingled Fund Duties

- Conducts, or assists Staff in conducting analysis of Commingled Fund offerings in accordance with the Commingled Fund selection process.
- Provides written analysis of Commingled Funds as requested by Staff.

Duties of the Manager

- Provides performance measurement data in form and substance as requested by the System.

Separately Managed Account Managers:

- Acquires, manages and disposes of assets on behalf of the System.
- Adheres to the most recent version of the Real Estate Information Standards established jointly by the National Council of Real Estate Investment Fiduciaries (“NCREIF”), the Pension Real Estate Association (“PREA”) and the National Association of Real Estate Investment Managers (“NAREIM”) (“Information Standards”).
- Prepares Manager Investment Plans to be submitted to the Staff and Consultant.
- Prepares Preliminary Investment Packages to be submitted to the Staff and Consultant.
- Adheres to the Board approved acquisition procedures detailed in Exhibit A.
- Prepares Budget and Management Plans to be submitted to the Staff and Consultant.
- Meets with Staff and Consultant for the Annual Real Estate Portfolio Review.
- Provides Consultant, when requested, Annual Review information.
- Assists the Staff in preparing funding procedures.

Commingled Fund Managers:

- Adheres to reporting standards established by the CFA Institute and complies with generally accepted accounting principles (“GAAP”).
- Executes and performs its duties under the terms of the investment vehicle documents.
- Provides timely requests for capital contributions.

- Provides quarterly financial statements and annual audited reports.
- Conducts no less frequently than annual meetings with Staff and Consultant to discuss important developments regarding portfolio, investment and management issues.

Duties of the Legal Counsel

- Legal counsel for the System as a representative of the Plan, will review upon request, all real estate related documents and/or provide advice for special investment situations as needed.

APPENDIX 2 - LAFPP APPROVAL PROCESS
(Separately Managed Accounts Only)

Step 1

A preliminary Investment Recommendation from the investment advisor will be presented to the full Board, for review and approval, including a full description of the property and market details, the investment advisor's best estimates of all numbers, a detailed description of all known environmental issues (if any), a detailed due diligence budget and a detailed summary of the pros/cons of the transaction.

Step 2

The Board will review and approve or disapprove the transaction. Any approval of the transaction by the Board will be required to include the affirmative vote of at least one of the active Fire and Police representatives and will be subject to investment advisor's satisfaction of the following requirements (the "Closing Requirements"):

- A letter from the investment advisor to the CIO certifying that it has found nothing in the due diligence process which materially and adversely impacts its investment recommendation. If the investment advisor's due diligence discovers any new matters that would have a material and adverse effect on the property or the fund, then such new matters will be subject to review and approval by the Board.
- The letter shall include a copy of all third party reports.
- The letter shall include a representation by the investment advisor that there are no adverse environmental matters that were not previously disclosed to the Board, other than those described in the initial report that was presented to the Board for review and approval. If there are any new environmental matters that would have an adverse effect on the property or the fund, then such new matters will be subject to review and approval by the Board.
- The letter shall also include a representation by the investment advisor that to the investment advisor's best knowledge, the projected IRR of the property will equal or exceed 50 basis points less than the projected IRR that was previously approved by the Board. If the projected IRR will not equal or exceed 50 basis points less than the projected IRR that was previously approved by the Board, then such new projected IRR will be subject to review and approval by the Board.
- A letter from the Fund's SMA Manager to the CIO certifying that the appraised value of the property is not less than 95% of the final purchase price. If the appraisal does not equal or exceed 95% of the final purchase price, then the transaction will be subject to review and approval by the Board. Per the Real Estate Consultant's cover memo, this appraisal requirement will be discussed with the Board and revised according to Board direction should the Board elect a change.

- A letter from the Fund's real estate consultant to the CIO with a positive written recommendation to proceed with the transaction. If the Fund's real estate consultant does not recommend the transaction, then the transaction will be subject to review and approval by the Board.
- A letter from the CIO to the investment adviser (copy to the Board) stating that the requirements in Step 2 have been satisfied. If the CIO does not state in writing that the requirements in Step 2 have been satisfied, then the transaction will be subject to review and approval by the Board.

Step 3

If the Closing Requirements in Step 2 above are satisfied (and remain satisfied through the closing of the transaction), then the investment advisor can close the purchase without returning to the Board for a second approval.

If any of the Closing Requirements in Step 2 are not satisfied (or if any such Closing Requirements fail to remain satisfied through the closing of the transaction), then the investment advisor will be required to return to the Board for approval of a closing with respect to any unsatisfied Closing Requirement.

Los Angeles Fire & Police Pension System

4.0 - COMMODITIES POLICY

INTRODUCTION

4.1 The Board has a one percent (1%) allocation to Commodities with an allowable range of $\pm 24\%$. Commodities Investments are understood to mean investing in fungible basic goods or resources used as an input in the production of other goods and services. They may include, but are not limited to the following:

- Energy
- Agriculture
- Metals
- Timber
- Water
- Infrastructure

INVESTMENT OBJECTIVES

4.2 The asset class offers diversification to the System's overall investment program through historically low correlation with equities and bonds. In addition, Commodities can act as a hedge against inflation. The System invests in private market commodities with the objective of providing diversification and generating return.

The benchmark for the private commodities investments is the S&P 500 plus 2.5%.

COMMODITIES INVESTMENTS

4.3 The System has approved investing in Private commodities strategies - entering Limited Partnerships in commingled funds with private equity firms involved in Commodities investments. See Section 2.0 – Private Equity Investments Policy for more detailed information.

PROGRAM MONITORING AND EVALUATION

4.4 The System's Private Equity Investment Consultant shall report in writing at least quarterly on the portfolio as a whole and on each individual investment for the portfolio, return and portfolio structure using an internal rate of return methodology.

HISTORY

4.5 Adopted: September 18, 2014

Revised:

09/06/2018	10/01/2020	10/20/2022
10/03/2019	11/18/2021	

Los Angeles Fire & Police Pension System

5.0 - EMERGING MANAGERS POLICY

POLICY STATEMENT

- 5.1 It is the policy of the City of Los Angeles to utilize Minority Business Enterprises (MBE), Women Business Enterprises (WBE), and all Other Business Enterprises (OBE) in all aspects of contracting relating to procurement, construction and personal services (Executive Directives 1-B and 1-C). In addition, it has been the experience of the Board of Fire and Police Pension Commissioners that certain minimum requirements of size and experience as a firm have excluded investment managers whose past performance and style of management made them otherwise qualified to manage the Pension System's assets.

To further the City's policy, and to provide the Board with opportunities to contract with managers excluded from past searches, it shall be the policy of the Board that emerging managers be provided opportunities to compete for and participate in investment manager contracts awarded by the Board. This allows the Board to identify potentially talented investment management organizations in their early growth stage, and also recognizes that smaller firms may be more flexible and able to take advantage of opportunities to generate alpha because of their size. The provision of these opportunities is to be consistent with the fiduciary responsibilities of the Board. Staff will conduct outreach to identify firms that have ownership by one or more minorities, women, persons with disabilities, US Military veterans, and/or lesbian, gay, bisexual, transgender and queer (LGBTQ) individuals. (Amended 01/20/22)

PUBLIC EQUITIES AND FIXED INCOME CRITERIA FOR PUBLIC SECURITIES EMERGING MANAGER SEARCHES

- 5.2 For all public security assets, emerging managers retained directly by LAFPP are defined as independent investment management firms that manage less than \$3 billion in firm-wide assets. The Board shall review the definition of emerging manager for each emerging manager search that is conducted.

Prior to a search in any part of its public equity or fixed income portfolio, the Board will determine whether it will conduct an emerging manager search in that same asset category. For each case, the Board shall determine whether it will implement the emerging manager search.

Any search for an emerging manager will be conducted separately from other searches, including a search for an investment manager of the same style to run assets of such an amount as to preclude emerging managers from participating in the search.

As a guide for any direct emerging manager searches by LAFPP, Staff and/or the General Investment Consultant is directed to use the minimum following qualifications in the preliminary screening. (Amended 10/03/19)

QUALIFICATIONS

- 5.3 A. One year of operation as an investment management firm as of the date of the search.
- B. The portfolio manager(s) assigned to the Pensions account must each have a minimum of five years of experience in investment management.
- C. As of the date of the search, the firm must have a minimum of \$30 million in institutional assets under management of which \$10 million must be in the proposed investment style.
- D. The firm must have at least one tax-exempt account under management.

The above qualifications and criteria shall remain in place until such time as they are revised by the Board. The Board may revise any of the above minimum qualification for any specific search if it is deemed appropriate for that specific search.

MONITORING AND CHANGE OF STATUS

- 5.4 Emerging managers and managers of emerging managers shall be subject to the standard Monitoring and Watch Status procedures of LAFPP. Staff will report to the Board annually regarding any change of status of emerging managers in the Program.

When an emerging manager is retained directly by LAFPP, Staff shall automatically notify the Board when that emerging manager's assets under management grow larger than the LAFPP Policy-defined maximum assets under management of \$3 billion.

When an emerging manager is retained by LAFPP through manager of emerging managers, the manager shall automatically notify the LAFPP Board when an emerging manager exits the portfolio due to growth in the emerging manager's assets under management. (Amended 11/18/21)

MANAGER TERMINATION

- 5.5 For any emerging manager retained directly by LAFPP for the management of public securities, notwithstanding the provisions of Section 8.0 – Manager Selection and Retention, the Board delegates to Staff the authority to terminate the investment management contract. (Amended 04/17/14)

GRADUATION POLICY

- 5.6 LAFPP expects that successful emerging investment management firms will grow beyond the maximum \$3 billion in assets under management required to be categorized as an emerging manager. Opportunities for larger mandates may occur for emerging managers when, from time to time, LAFPP evaluates asset class structure or conducts manager replacement searches. Prior to LAFPP conducting an external search for an active manager, managers participating in

LAFPP's emerging manager program that meet the minimum investment criteria will be considered in the search. (Amended 11/18/21)

For the Private Equity Specialized Fund Manager program, the emerging managers have an opportunity to graduate to the core private equity portfolio when they reach their fourth fund. An emerging manager may also graduate to the core portfolio early (typically with their third fund) if the Board approves a commitment to the fund for the core portfolio.

FUNDING

- 5.7 When an emerging manager is selected by the Board, the size of funding will be determined based on the needs of the Systems and the capacity and experience of the manager. In no case shall the Board's funding exceed fifty percent of the total assets managed in a similar product or style of portfolio by the manager, including the Board's allocation. (Funding language added 3/14/91)

As part of any Staff and or General Investment Consultant analysis and recommendations regarding the asset manager structure, Staff is directed to address the System's Emerging Manager Policy.

NUMBER OF EMERGING MANAGERS

- 5.8 The number of emerging managers in each major asset class shall not exceed the number of non-emerging managers.

REAL ESTATE

CRITERIA FOR REAL ESTATE EMERGING FUND MANAGER SEARCHES

- 5.9 The Emerging Fund Manager Real Estate firms shall be evaluated based on the following criteria:
- A. Emerging Fund Managers will be defined as those with less than \$3 billion in assets under management, fewer than five (5) years as an institutional manager and/or those offering an initial institutionally focused commingled fund vehicle.
 - B. The firm should currently manage no less than \$100 million in the selected strategy. In the absence of current assets under management, a realized track record reflecting implementation of the strategy to the same degree is acceptable. A preference for other public fund experience will be given.
 - C. The capital to be allocated may not exceed 35% of the firm's total assets under management after the allocation and no more than 20% of capital raised for a specific commingled vehicle.
 - D. No client can represent more than 50% of the management firm's total assets under management.
 - E. Any firm with less than a five-year track record 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 opportunity.

**PRIVATE EQUITY SPECIALIZED FUND MANAGERS
CRITERIA FOR SELECTION OF PRIVATE EQUITY SPECIALIZED FUND
MANAGERS**

5.10 Barriers to entry for new firms launching established or new product strategies often provide opportunity to capitalize on niche management firms and/or strategies. Therefore, the Private Equity Specialized Fund Manager program includes private equity commitments to funds that may have one or more of the following characteristics:

- A. First, second, or third-time institutional funds and,
- B. With a stated target size of approximately \$500 million or less, and that may have,
 - Funds with managers that include one or more minorities, women, LGBTQ, persons with disabilities, and/or US Military veterans at the General Partner level, and/or
 - Funds that serve or invest in underserved communities, and/or
 - Funds that invest in companies located in Los Angeles or California.

See Section 2.0 – Private Equity Investments Policy for more detailed information.

HISTORY

5.11 Consolidated Policy Adopted: April 18, 2013

Revised:

10/06/2016	10/03/2019	11/18/2021
09/06/2018	10/01/2020	01/20/2022

Public Equities and Fixed Income Policy Adopted: February 21, 1991

Revised:

05/20/1993	07/09/2009	09/18/2014	10/03/2019	11/18/2021
03/19/1997	04/17/2014	09/06/2018	10/01/2020	

Real Estate Policy Adopted: August 3, 2006

Revised:

04/17/2008	09/18/2014	09/06/2018	11/18/2021
07/10/2008	10/06/2016	10/03/2019	

Los Angeles Fire & Police Pension System

6.0 - RISK MANAGEMENT POLICY

INTRODUCTION

- 6.1 The Board recognizes that risk is inherent in any investment program. The prudent investor acknowledges the existence of risk and structures an investment program so as to identify, quantify and compensate for risk, while attempting to achieve an appropriate risk-adjusted rate of return.

Consequently, the Board has determined to adopt and implement a Risk Management Policy. The purpose of this Policy is to provide guidelines for the management of investment risk of the System assets in support of the fiduciary obligations of the Board, consistent with the governing principles and other policies of the Plan. Risk will be considered in every aspect of the investment program, beginning with the asset allocation process and continuing through the determination of the structure of asset classes, the selection and retention of investment managers and the measurement of investment performance.

RISK

- 6.2 Webster's defines risk as "possibility of loss or peril...the chance of loss..." For investment purposes, a useful definition for risk is the degree of possibility that the return on an investment over a particular time period will be something other than the expected return.

Risk comes from many sources. Market risk, interest rate risk, manager specific risk, counterparty risk, liquidity risk are but a few. The biggest risk facing the Board is that, over the long term, the investment program will not achieve the System's actuarially assumed rate of return. This would jeopardize the Plan's ability to provide retirement benefits to the System's members and their beneficiaries, and would increase, rather than minimize, the City's contributions.

RISK POLICY

- 6.3 In order to mitigate the effects of risk on the System's investment program, the Board has adopted the following policies:
- A. An asset allocation study will be conducted every three to five years, and an asset/liability study at least every 6 years. Analysis has repeatedly shown that 90% to 95% of investment returns are determined solely by asset allocation. The Board acknowledges the critical importance of asset allocation to the success of the investment program and directs that the allocation will be reviewed no less frequently than annually.
 - B. The asset allocation study will utilize the concepts of Modern Portfolio Theory to identify an efficient portfolio given the Board's desired level of return and tolerance for risk, i.e., return, risk, correlations between asset

classes, mean variance optimization and constraints to ensure prudent exposures to strategies and risk factors. The Board will approve a level of risk when approving the asset allocation, after due consideration of the potential impact on the System of the failure of the asset allocation to yield the expected return. The Board's tolerance for risk is dependent upon various factors and may change with circumstances but is based on the knowledge that (1) the investment horizon of the Pension System is very long, (2) investment losses are inevitable but smaller losses are easier to recover from than larger losses, and (3) the Board's risk tolerance is not influenced by the actuarially assumed rate of return.

- C. The Board will evaluate risk when determining the structure of the asset allocation. The implementation of the asset allocation involves decisions such as active versus passive management of investments and the number of investment managers to use in a particular asset class. Passive management usually yields better risk adjusted returns than active management in the more efficient asset classes, while in the less efficient asset classes it is more likely that active managers will be able to deliver returns in excess of those achieved by passive managers. The use of multiple managers in an asset class requires evaluation of the resulting fee structure and the possibility of reduced diversification in overlapping portfolios, versus the increase in manager specific risk with fewer managers.
- D. The asset allocation will take into consideration the System's needs for liquidity. The amount, timing and frequency of the System's requirements for liquidity will be analyzed as part of the asset allocation process, with the understanding that some asset classes provide better liquidity than others, that market cycles can affect the availability of liquidity, and that System assets held as cash are not available for investment in higher-yielding asset classes.

HISTORY

6.4 Adopted: September 18, 2014.

Revised:
10/20/2022

Los Angeles Fire & Police Pension System

7.0 - PROXY VOTING POLICY

PROXY ISSUES

The Board delegates to the General Manager the voting of normally routine proxy solicitation matters, such as election of directors and appointment of independent auditors. Exceptions shall be brought to the Board's attention at the General Manager's discretion.

The Board instructs the General Manager to use his or her discretion as to whether or not proxy issues may be voted by Staff for the purpose of protecting the Pension System's economic interest, when such issues are not covered in the existing guidelines or timing does not allow the issue to be brought to the Board. The General Manager will report to the Board on all votes cast in this manner.

On an annual basis, Staff will present to the Board a summary of proxy voting activities conducted by the proxy voting provider for all domestic equities. The report will review the number of management proposals, shareholder proposals, and the percentage of time the proxy voting provider voted for or against each proposal.

In researching potentially significant proxy issues, the General Manager is also instructed to obtain and consider recommendations from the applicable investment advisor(s) on proxy issues which may have an economic impact on the corporation or on the value of its equity.

As to proxy matters for non-U.S. securities, the Board delegates to the international equity advisors the authority to vote the Board's proxies using the guidelines set forth above for the General Manager on U.S. proxy matters.

The Board authorizes the General Manager to vote accordingly on the following proxy issues:

MANAGEMENT PROPOSALS - FOR

- 7.1 **Ratify Selection of Auditors** – Vote for unless the non-audit services exceed 40% of fees or auditor tenure is greater than 20 years.
- 7.2 **Name Change** – Always vote for a management proposal to change the company name.
- 7.3 **Adjourn Meeting** – Always vote for a management proposal to adjourn the meeting.
- 7.4 **Technical Amendments** – Always vote for a management proposal to make technical amendments to the charter and/or bylaws.
- 7.5 **Financial Statements** – Always vote for a management proposal to approve financial statements.

- 7.6 **Decrease or Amend Authorized Common Stock** – Always vote for a management proposal to decrease or amend authorized common stock.
- 7.7 **Issuance or Exercise of Stock Warrants** – Always vote for a management proposal to approve the issuance or exercise of stock warrants.
- 7.8 **Decrease or Amend Authorized or Cancel Series of Preferred Stock** – Always vote for a management proposal to decrease or amend authorized preferred stock or to cancel a class or series of preferred stock.
- 7.9 **Preemptive Rights** – Vote for a management proposal to create or restore preemptive rights, and vote against a management proposal to eliminate preemptive rights.
- 7.10 **Dual Class Stock** – Always vote for a management proposal to eliminate authorized dual or multiple classes of common stock. Always vote against a management proposal to amend authorized or to increase authorized shares of one or more multiple classes of dual or multiple class common stock.
- 7.11 **Share Repurchase** – Always vote for a management proposal to approve a stock repurchase program.
- 7.12 **Stock Splits** – Always vote for a management proposal to approve or reverse a stock split.
- 7.13 **Recapitalization & Restructuring** – Always vote for a management proposal to approve recapitalization or to restructure the company.
- 7.14 **Reincorporation** – Always vote for a management proposal to reincorporate in a different state.
- 7.15 **Spin-offs** – Always vote for a management proposal to spin off certain company operations or divisions.
- 7.16 **Sale of Assets** – Always vote for a management proposal to approve the sale of assets.
- 7.17 **Cumulative Voting** - Always vote for a management proposal to adopt cumulative voting and against a management proposal to eliminate cumulative voting.
- 7.18 **Indemnification Provisions** - Always vote for a management proposal to indemnify directors or officers or to amend provisions concerning the indemnification of directors and officers.
- 7.19 **Non-Technical Charter Amendments** - Always vote for a management proposal to approve non-technical amendments to the company's certificate of incorporation.
- 7.20 **Non-Technical Bylaw Amendments** – Vote for a management proposal to

approve non-technical amendments to the company's bylaws unless the amendment would have the effect of reducing shareholders' rights.

- 7.21 **Poison Pills** - Always vote for a management proposal to redeem a shareholder rights plan (poison pill).
- 7.22 **Special Meetings** - Always vote for a management proposal to restore shareholders' right to call a special meeting.
- 7.23 **Written Consent** - Always vote for a management proposal to restore shareholders' right to act by written consent.
- 7.24 **Supermajority Requirement** - Always vote for a management proposal to eliminate a supermajority vote provision to approve merger or other business combinations.
- 7.25 **Supermajority Lock-In** - Always vote for a management proposal to eliminate supermajority vote requirements (lock-ins) to change certain bylaw or charter provisions.
- 7.26 **Fair Price Provision** - Always vote for a management proposal to repeal a fair price provision.
- 7.27 **Anti-Greenmail Provision** - Always vote for a management proposal to limit the payment of greenmail.
- 7.28 **State Takeover Law** – Always vote for a management proposal seeking to opt out of a state takeover statutory provision.

MANAGEMENT PROPOSALS - AGAINST

- 7.29 **Other Business** – Always vote against a management proposal to approve other business.
- 7.30 **Increase Authorized Common Stock** – Vote against if the increase is not intended to effect a merger, stock split, or recapitalization.
- 7.31 **Authorize or Increase Preferred Stock** – Vote against if the board has unlimited rights to set the terms and conditions of the shares.
- 7.32 **Issuance or Conversion of Preferred Stock** – Vote against if the dilution represents more than 20% of the total voting power.
- 7.33 **Cumulative Voting** - Always against a management proposal to eliminate cumulative voting.
- 7.34 **Poison Pills** - Always vote against a management proposal to ratify or adopt a shareholder rights plan (poison pill).
- 7.35 **Special Meetings** - Always against a management proposal to limit or eliminate shareholders' right to call a special meeting.

- 7.36 **Written Consent** - Always vote against a management proposal to limit or eliminate shareholders' right to act by written consent.
- 7.37 **Supermajority Requirement** - Always vote against a management proposal to amend or establish a supermajority vote provision to approve merger or other business combinations.
- 7.38 **Supermajority Lock-In** - Always vote against a management proposal to adopt or amend a supermajority lock-in if the changes would result in a complete lock-in on all of the charter and bylaw provisions.
- 7.39 **Non-Financial Effects of Merger** - Always vote against a management proposal to expand or clarify the authority of the board of directors to consider factors other than the interests of shareholders in assessing a takeover bid.
- 7.40 **Fair Price Provision** - Always vote against a management proposal to adopt or amend a fair price provision.
- 7.41 **Advance Notice Requirement** – Vote against a management proposal to adopt advance notice requirements if the provision requires advance notice of more than 60 days.
- 7.42 **State Takeover Law** – Always vote against a management proposal seeking to opt into a state takeover statutory provision.
- 7.43 **Dual-Class Share Structures** – Always vote against the creation of dual-class share structures.

MANAGEMENT PROPOSALS REGARDING THE BOARD

- 7.44 **Election of Directors** – Withhold votes from director nominees if 40% or more of the directors are (1) employees or (2) have financial ties to the company, if 33% or more serving on the nominating committee are employees or have financial ties, if any director nominee attends less than 75% of the board and committee meetings during the previous fiscal year, if the company does not have an independent chair or lead director, from audit committee member nominees if non-audit services exceed 40% of fees, or from nominating committee members when (1) average non-employee director tenure is greater than 10 years and no new directors have joined the board in the past 5 years or (2) at large-cap companies, gender diversity on the board is less than 30%. In a contested election, vote for all management nominees.
- 7.45 **Director Liability Provisions** – Always vote for a management proposal to limit the liability of directors or to amend director liability provisions.
- 7.46 **Board Size** – Vote for a management proposal to set the board size unless the board will consist of more than 12 directors or if there is a proposal to give the board the authority to set the size of the board as needed without shareholder approval.
- 7.47 **Filling Vacancies** - Always vote against a management proposal to allow the

directors to fill vacancies on the board without shareholder approval.

- 7.48 **Director Removal** –Vote on a case-by-case basis on a management proposal regarding the removal of directors.
- 7.49 **Classified Board** - Always vote for a management proposal to repeal or amend a classified board and against a management proposal to adopt a classified board.

MANAGEMENT PROPOSALS REGARDING COMPENSATION

- 7.50 **Stock Option Plans** – Vote for a management proposal to adopt, amend, or add shares to a stock option plan for employees except if:
1. The plan dilution is more than 25% of outstanding common stock.
 2. The minimum equity overhang of all plans is more than 25% of outstanding common stock.
 3. The plan permits pyramiding.
 4. The plan allows for the repricing or replacement of underwater options.
 5. The plan allows for non-qualified options to be priced at less than 90% of the fair market value on the grant date.
 6. The plan has a share replenishment feature (evergreen plan) – that is, it adds a specified number or percentage of outstanding shares for awards each year.
 7. The plan allows for multiple awards and does not set a limit on non-option awards.
 8. The plan permits time-lapsing restricted stock awards.
 9. The company's equity overhang exceeds the 75th percentile of its peer group.
 10. The plan contains change-in-control provisions.
 11. The plan administrator may provide loans to exercise awards.
 12. The plan administrator may accelerate the vesting of outstanding awards.
 13. The plan administrator may grant reloaded stock options.
 14. The company allowed the repricing or replacement of underwater options in past fiscal year.
 15. The options granted to the top 5 executives exceed 15% of options granted in the past fiscal year.
 16. There is a significant disconnect in pay-for-performance.
- 7.51 **Limit Annual Awards** – Always vote for a management proposal to limit per-employee annual option awards.
- 7.52 **Director Stock Option Plan** - Vote for a management proposal to adopt or amend a stock option plan for non-employee directors except if:
1. The plan allows non-qualified options to be priced at less than 95% of the fair market value.
 2. The plan dilution is more than 5% of the outstanding common equity.
 3. The minimum potential dilution of all plans is more than 20% of the

4. outstanding common equity.
 5. The plan or amendment authorizes 5 or more types of awards.
 6. The plan or amendment allows for non-formula discretionary awards.
 7. The amendment increases the size of the option awards.
 7. There is a significant disconnect in pay-for-performance.
- 7.53 **Director Stock Option Addition** – Always vote against a management proposal to add shares to a stock option plan for non-employee directors.
- 7.54 **Employee Stock Purchase Plan** - Vote for a management proposal to adopt, amend, or add shares to an employee stock purchase plan except if:
1. The plan, amendment, or additional shares allow employees to purchase stock at less than 85% of the fair market value.
 2. The plan or additional shares cause dilution of more than 25% of the outstanding common equity.
 3. The minimum potential dilution of all plans, including the proposal, is more than 25% of the outstanding common equity.
- 7.55 **Employment Agreements** – Always vote for a management proposal to approve an employment agreement or contract.
- 7.56 **Deferred Compensation Plan Amendments** – Always vote for a management proposal to amend a deferred compensation plan.
- 7.57 **Amend Annual Bonus Plan** – Always vote for a management proposal to amend an annual bonus plan.
- 7.58 **Reapprove Option/Bonus Plan for OBRA** - Always vote for a management proposal to reapprove a stock option plan or bonus plan for purposes of OBRA.
- 7.59 **Executive Bonus Plans** – Vote for if the company’s stock performance in the last calendar year has exceeded the returns of both the Standard & Poor’s 500 Index and an appropriate peer group index.
- 7.60 **Extend Term of Stock Option Plan** – Always vote against a management proposal to extend the term of a stock option plan for employees.
- 7.61 **Stock Award Plan** – Vote against a management proposal to adopt, amend, or add shares to a stock award plan for executives, unless the company beat the return of the S&P 500 and an appropriate peer group.
- 7.62 **Director Stock Award Plan** - Vote against a management proposal to adopt, amend, or add shares to a stock award plan for non-employee directors, unless the company beat the return of the S&P 500 and an appropriate peer group.
- 7.63 **Annual Bonus Plan** – Vote against a management proposal to approve an annual bonus plan unless the company beat the return of the S&P 500 and an appropriate peer group.
- 7.64 **Option/Stock Awards** - Vote against a management proposal to grant a one-

time option/stock award unless the company beat the return of the S&P 500 and an appropriate peer group.

- 7.65 **Exchange Underwater Options** – Always vote against a management proposal to exchange underwater options (options with a per-share exercise price that exceeds the underlying stock’s current market price).
- 7.66 **Long Term Bonus Plan** - Vote against a management proposal to approve or amend a long-term bonus plan unless the company beat the return of the S&P 500 and an appropriate peer group.
- 7.67 **Advisory Vote on Executive Compensation** – Vote against a management proposal to approve executive pay program and practices when the company exhibits poor pay for performance.

SHAREHOLDER PROPOSALS – FOR

- 7.68 **Shareholder Approval of Auditors** – Always vote for a shareholder proposal calling for stockholder ratification of auditors.
- 7.69 **Auditors Must Attend Annual Meeting** - Always vote for a shareholder proposal calling for the auditors to attend the annual meeting.
- 7.70 **Limit Consulting by Auditors** - Always vote for a shareholder proposal calling for limiting consulting by auditors.
- 7.71 **Rotate Auditors** - Always vote for a shareholder proposal calling for the rotation of auditors.
- 7.72 **Restore Preemptive Rights** - Always vote for a shareholder proposal to restore preemptive rights.
- 7.73 **Study Sale or Spin-Off** - Always vote for a shareholder proposal asking the company to study sales, spin-offs or other strategic alternatives.
- 7.74 **Adopt Confidential Voting** - Always vote for a shareholder proposal asking the board to adopt confidential voting and independent tabulation of the proxy ballots.
- 7.75 **Counting Shareholder Votes** - Always vote for a shareholder proposal asking the company to refrain from counting abstentions and broker non-votes in vote tabulations.
- 7.76 **No Discretionary Voting** - Always vote for a shareholder proposal to eliminate the company’s discretion to vote unmarked proxy ballots.
- 7.77 **Equal Access to the Proxy** - Always vote for a shareholder proposal to provide equal access to the proxy materials for shareholders.
- 7.78 **Increase Board Independence** - Always vote for a shareholder proposal seeking to increase board independence.

- 7.79 **Minimum Stock Ownership by Directors** – Vote for a shareholder proposal to require minimum stock ownership by directors unless the minimum level of ownership required is more than 500 shares.
- 7.80 **Directors’ Role in Corporate Strategy** - Always vote for a shareholder proposal seeking to increase disclosure regarding the board’s role in the development and monitoring of the company’s long-term strategic plan.
- 7.81 **Increase Nominating Committee Independence** - Always vote for a shareholder proposal to increase the independence of the nominating committee.
- 7.82 **Create Nominating Committee** - Always vote for a shareholder proposal to create a nominating committee of the board.
- 7.83 **Independent Board Chairman** - Always vote for a shareholder proposal asking that the chairman of the board of directors be chosen from among the ranks of the non-employee directors.
- 7.84 **Lead Director** - Always vote for a shareholder proposal asking that a lead director be chosen from among the ranks of non-employee directors.
- 7.85 **Adopt Cumulative Voting** - Always vote for a shareholder proposal calling for the adoption of cumulative voting.
- 7.86 **Repeal Classified Board** – Always vote for a shareholder proposal to repeal a classified board.
- 7.87 **Redeem or vote on Poison Pill** - Always vote for a shareholder proposal asking the board to redeem or to allow shareholders to vote on a shareholder rights plan (poison pill).
- 7.88 **Eliminate or Reduce Supermajority Provision** - Always vote for a shareholder proposal that seeks to eliminate supermajority provisions.
- 7.89 **Repeal Fair Price Provision** - Always vote for a shareholder proposal that seeks to repeal fair price provisions.
- 7.90 **Restore Right to Call a Special Meeting** - Always vote for a shareholder proposal to restore shareholders’ right to call a special meeting.
- 7.91 **Restore Right to Act by Written Consent** - Always vote for a shareholder proposal to restore shareholders’ right to act by written consent.
- 7.92 **Prohibit Targeted Share Placement** - Always vote for a shareholder proposal to limit the board’s discretion to issue targeted share placements or to require shareholder approval before such block placements can be made.
- 7.93 **Anti-Greenmail Provision** - Always vote for a shareholder proposal to limit greenmail payments.
- 7.94 **Restrict Director Pensions** - Always vote for a shareholder proposal calling for

the termination of director retirement plans.

- 7.95 **No Repricing of Underwater Options** - Always vote for a shareholder proposal seeking shareholder approval to reprice or replace underwater stock options.
- 7.96 **Golden Parachutes** - Always vote for a shareholder proposal calling for a ban or shareholder vote on future golden parachutes.
- 7.97 **Award Performance-Based Stock Options** - Always vote for a shareholder proposal seeking to award performance-based stock options.
- 7.98 **Expense Stock Options** - Always vote for a shareholder proposal establishing a policy of expensing the costs of all future stock options issued by the company in the company's annual income statement.
- 7.99 **Pension Fund Surplus** - Always vote for a shareholder proposal that requests future executive compensation be determined without regard to any pension fund income.
- 7.100 **Committee Independence** – Always vote for a shareholder proposal to increase the independence of the compensation, audit, or key committees.

SHAREHOLDER PROPOSALS – ABSTAIN

- 7.101 **Director Tenure/Retirement Age** – Always abstain from voting for a shareholder proposal seeking to limit the period of time a director can serve by establishing a retirement or tenure policy.
- 7.102 **Create Shareholder Committee** – Always abstain from voting for a shareholder proposal urging the creation of a shareholder committee.
- 7.103 **Nominee Statement in Proxy** – Always abstain from voting for a shareholder proposal to require directors to place a statement of candidacy in the proxy statement.
- 7.104 **Double Board Nominees** - Always abstain from voting for a shareholder proposal to nominate two director candidates for each open board seat.
- 7.105 **Director Liability** - Always abstain from voting for a shareholder proposal to make directors liable for acts or omissions that constitute a breach of fiduciary care resulting from a director's gross negligence and/or reckless or willful neglect.
- 7.106 **Opt Out of State Takeover Statute** - Always abstain from voting for a shareholder proposal seeking to force the company to opt out of a state takeover statutory provision.
- 7.107 **Re-incorporation** - Always abstain from voting for a shareholder proposal to reincorporate the company in another state.
- 7.108 **Restrict or Disclose Executive Compensation** - Always abstain from voting for

a shareholder proposal to restrict or to enhance the disclosure of executive compensation.

- 7.109 **Restrict Director Compensation** - Always abstain from voting for a shareholder proposal to restrict director compensation.
- 7.110 **Cap Executive Pay** - Always abstain from voting for a shareholder proposal to cap executive pay.
- 7.111 **Approve Executive Compensation** - Always abstain from voting for a shareholder proposal calling for shareholder votes on executive pay.
- 7.112 **Create Compensation Committee** - Always abstain from voting for a shareholder proposal to create a compensation committee.
- 7.113 **Hire Independent Compensation Consultant** - Always abstain from voting for a shareholder proposal to require that the compensation committee hire its own independent compensation consultants – separate from the compensation consultants working with corporate management – to assist with executive compensation issues.

SHAREHOLDER PROPOSALS – AGAINST

- 7.114 **Improve Meeting Reports** – Always vote against a shareholder proposal to improve annual meeting reports.
- 7.115 **Change Annual Meeting Location** – Always vote against a shareholder proposal to change the annual meeting date.
- 7.116 **Pay Directors in Stock** – Vote against if the resolution would require directors to receive their entire compensation in the form of company stock.
- 7.117 **Pay for Performance** – Vote against compensation committee members at companies with a pattern of pay and performance percentile rankings below peers.

ENVIRONMENTAL AND SOCIAL ISSUES

- 7.118 **Board Inclusiveness** – Always vote for a shareholder proposal asking the board to include more women and minorities as directors. (Amended 09/16/15)
- 7.119 **Report on Board Composition** – Always vote for the company to report on its diversity initiatives, diversity policies, and adopting targets for diversity on the board.
- 7.120 **Report on Race and/or Gender Pay Equality** – Always vote for a company to report on any issues of racial and/or gender pay gap throughout the company.
- 7.121 **Report on Climate Change Issues** – Always vote for shareholder proposals that

request management to “Report on Climate Change” issues.

- 7.122 **Report on Environmental/Sustainability Practices** – Always vote for a company to report on the feasibility of implementing sustainable practices and more broadly, the environmental-risks facing the company.
- 7.123 **Report on Political Spending and/or Lobbying Activities** – Always vote for a company to report on their direct and indirect political spending and/or lobbying activities.
- 7.124 **Firearms Related Issues** – Vote for shareholder proposals encouraging firms to refrain from manufacturing or merchandising firearms that are designated by the California State Attorney General’s Assault Weapons Identification Guide as being illegal for sale within California. Shareholder proposals in connection with other firearms related issues would be reviewed by staff for consideration. (Amended 05/16/13)
- 7.125 **Review/Report on/Link Executive Pay to Social Performance** – Always abstain from voting for a shareholder proposal that asks management to review, report on and/or link executive compensation to non-financial criteria, particularly social criteria.
- 7.126 **Social Issues** – Abstain from voting on all social issues. The General Manager shall present exceptional issues to the Board.
- 7.127 **Board Gender Composition** – Always vote against the nominating committee chair of a board that has no female members and vote against all board directors standing for re-election at companies that have no women on their board.

HISTORY

7.128 Adopted: June 20, 1985

Revised:

04/27/1989	05/16/2013	09/06/2018
04/13/1995	09/18/2014	10/03/2019
06/05/2003	09/16/2015	04/16/2020
09/06/2007	10/06/2016	10/20/2022

Los Angeles Fire & Police Pension System

8.0 - MANAGER SELECTION AND RETENTION POLICY

BACKGROUND

- 8.1 Consistent with its fiduciary responsibilities, the Board of Fire and Police Pension Commissioners has developed a Manager Selection and Retention Policy to further the goal of generating superior long-term investment performance. This Policy outlines the responsibilities and activities of the Board and Staff with respect to monitoring and evaluating managers after being retained by the Board. The Board constantly reviews manager performance. The goal of the Board is to implement a process that removes managers with no value adding capabilities and retains managers that do add value.

As procedures have evolved at the Department of Fire and Police Pensions, the major responsibility for monitoring and evaluating managers has been assigned to Staff and employed consultants, with the Board assuming overall responsibility for setting investment policy and deciding which managers will be hired or retained. Evaluating the performance of a diverse group of money managers is an important part of carrying out the Board's investment responsibilities. The Manager Selection and Retention Policy, consistently applied, will assist the Board in making informed judgments regarding the capabilities of managers hired by the Fund, and in its decisions concerning retention and termination of money managers.

The policy provides a comprehensive framework for the analysis of manager performance, promotes a long-term attitude towards performance evaluation and serves to communicate investment objectives between the Board, Managers, and its Staff.

MANAGER SELECTION CRITERIA

- 8.2 The selection of investment managers is accomplished in accordance with all applicable Local, State, and Federal laws and regulations. Each investment manager, consultant, and custodian functions under a formal contract that delineates responsibilities and appropriate performance expectations.

Criteria will be established for each manager search undertaken by the Board and will be tailored to the Board's needs in such a search. In general, eligible managers will possess attributes including, but not limited to, the following criteria:

1. The firm must be experienced in managing money for institutional clients in the asset class/product category/investment style specified by the Board.
2. The firm must display a record of stability in retaining and attracting qualified investment professionals, as well as a record of managing asset growth effectively, both in gaining and in retaining clients.

Manager Selection and Retention Policy

3. The firm must have an asset base sufficient to accommodate the Board's portfolio. In general, managers should have at least \$250 million of discretionary institutional assets under management, and the Board's portfolio should make up no more than 20% of the firm's total asset base at the time of hiring. Exceptions shall be made on a case-by-case basis.
4. The firm must demonstrate adherence to the investment style sought by the Board and adherence to the firm's stated investment discipline.
5. The firm's fees should be competitive with industry standards for the product category.
6. The firm must comply with the "Duties of the Investment Managers" outlined herein and conform to CFA Institute (formerly AIMR) standards for performance reporting.

The General Consultant shall provide to Staff a list of all Investment Managers who have met the minimum search qualifications established by the Board. Staff and the General Consultant shall recommend to the Board a list of finalists to interview. For searches to hire one (1) manager, Staff and the General Consultant shall recommend no more than three (3) finalists. For searches to hire two (2) managers, Staff and the General Consultant shall recommend no more than five (5) finalists.

QUALITATIVE/QUANTITATIVE FACTORS TO MONITOR

- 8.3 The Plan's manager selection process relies heavily upon qualitative analysis in identifying the parts of a manager's organization and investment process that are necessary for superior long-term investment performance. At the time a manager is hired by the Board, the rationale for retaining the manager is outlined and the manager's role in the Board's investment program is clearly established. The review and monitoring process is intended to keep the Board and Staff fully informed of qualitative attributes in a manager's organization.

Quantitative performance evaluation relates to those aspects of a money manager's operation that can be analyzed relative to measurable targets (Appendix 1). Managers hired by the Fund will be measured over a period relevant to their appropriate benchmark, style and peer universe. Managers will be measured net of fees, custody expenses and other costs. Performance attribution will include the manager's style (as reflected by the benchmark), manager skill, sector selection, timing and trading.

Staff will meet with the Fund's managers on a regular basis as part of on-going due diligence. Meetings and other contacts will be documented and will include summaries of and any changes in a manager's organization, personnel, strategy or style.

WATCH LIST POLICY

- 8.4 Managers will be reviewed annually at the end of the calendar year for Watch List inclusion. Managers will be placed on the watch list when their performance is

Manager Selection and Retention Policy

below the median of their peer group, (provided by the current performance consultant) on a three-year annualized basis, or if there is no comparable peer group comparison, below the expected return for that manager classification. Significant portfolio management personnel or manager style changes are also cause to be placed on the list immediately or to have the contract ended at any time.

When a manager is placed on the list, Staff will speak to the manager and send a letter (Appendix 2) as soon as possible to discuss the Board's concern at which time that manager will sign and return that letter acknowledging their watch list notification by this Board. A manager will remain on the list until the three-year annualized returns improve above the median during the Watch List inclusion review at the end of the calendar year. The Board will have a manager in for a review at one of the scheduled Board meetings during the second consecutive year the manager is on the list. After the Board has met with a manager for their watch status review, further meetings are at the Board's discretion. Performance of the managers on the list will be evaluated annually, with emphasis on the three and five-year returns, until the Board removes the manager from the list or ends the contract.

The Board, Staff and the consultant will monitor the manager's quarterly performance. Consultants will provide information on the manager's performance in relationship to other managers within the same style and universe.

The decision to terminate an investment manager's contract is never taken lightly. Managers are hired after lengthy, time-consuming searches and at the time of hiring have demonstrated the ability to successfully outperform a benchmark and their peers. Termination involves the expense of transitioning the account's assets. It also involves decisions of where to place the assets – with an existing manager or with a newly-hired manager following a new search – and how the assets should be managed, whether with an active manager or a passive (index) manager. When evaluating a manager for termination, longer-term performance should weigh more heavily than shorter-term performance. Market cycles can move against a manager's style for a number of years, yet when the cycle changes the manager will again outperform. A manager may experience a single poor year for a specific reason and the negative effects could impact returns for several reporting periods, yet the manager still retains the ability to deliver outperformance. A manager's performance may regularly beat a benchmark but lag the median performance of its peers, in which case the behavior of the peer universe should be analyzed before assuming that a new search could identify a manager in the group that consistently beat median performance. Identifying and dealing with poorly performing managers is an important part of the Board's risk management responsibilities and necessary if the Fund is to achieve its targeted returns. The decision should be made only after thoughtful analysis involving quantitative and qualitative factors measured over significant time periods.

The following list specifies the factors that the Board and Staff will analyze before making a decision.

- Evaluate the manager's long-term performance relative to the specified benchmark and other relevant benchmarks.

Manager Selection and Retention Policy

- Evaluate the manager's performance ranking compared to managers of the same style. Active managers are expected to generate returns better than their benchmarks and their peers. We look for consistency of returns as well as the degree of under-performance. Rolling three- and five-year returns are more meaningful than shorter periods of time.
- Compare performance of the Fund's portfolio to the manager's other similar mandates.
- Review hiring objectives. Managers are hired for specific reasons: a style or strategy that is expected to add value and contribute to diversification.
- Evaluate personnel. Review the people who establish investment strategy and manage the portfolio.
- Review any changes in ownership. A change in ownership may or may not presage meaningful changes in the organization, key personnel, investment strategy and the decision-making process, however any ownership change needs to be reviewed.
- Review the loss of clients and the addition of new business. Losses may signal problems at the firm Staff haven't noticed yet, while adding new clients too quickly may overload the manager's resources or force a change in investment approach.

Upon the decision to terminate, Staff will implement its termination checklist. All outstanding issues with the custodian bank, brokers, consultants, or other parties and the investment manager are to be resolved before the final payment to the manager.

Staff will have the responsibility to manage the details of terminating an investment manager.

REAL ESTATE SEPARATE ACCOUNT MANAGERS

- 8.5 Real Estate managers will be reviewed on the same basis as other managers. However, due to the longer life and the illiquid nature of real estate investments, a formal review of the performance of the real estate separate account managers will take place in conjunction with the expiration of the contracts with the manager. Interim performance reviews may be conducted as warranted after the completion of the annual appraisals.

The benchmark for the separate account real estate managers is the NFI-ODCE Index plus 0.50%.

PRIVATE EQUITY

- 8.6 The Fund's private equity portfolio is made up of individual partnerships that generally last from 10 to 12 years, with provisions for possible extensions beyond the original term. The interim performance of a partnership investment (anything

Manager Selection and Retention Policy

prior to the termination of a partnership) may not always be indicative of the final results for a particular partnership. The interim valuations of a partnership's underlying investments (most of which are privately-held companies) reflect a high degree of subjectivity. As a partnership's underlying investments are disposed of, either at a gain or at a loss, the interim performance begins to become more indicative of the partnership's final performance level.

The ultimate measure of a partnership's performance is calculated from the total amount of cash that is contributed (paid-in) to the partnership compared to the timing and amount of cash returned to the Fund. The most common measurement tool is calculating a net compound annual internal rate of return (Net IRR) which is a discounted cash flow analysis of the cash flows to and from the partnership over the life of the partnership. The second most common measurement tool is calculating a net multiple of invested cash (MOIC) which measures the cash that is realized from the investment.

The Fund expects the private equity portfolio to provide a higher return than publicly-traded equities over the long term (10-12 years). The Fund's return benchmark for our alternatives is the S&P 500 plus 2.5%.

HISTORY

8.7 Adopted: June 10, 1999

Revised:

05/03/2001	08/20/2009	02/05/2015	11/18/2021
02/07/2002	04/18/2013	10/06/2016	10/20/2022
09/18/2003	09/18/2014	09/06/2018	
05/03/2007	10/16/2014	10/03/2019	

APPENDIX 1 - PERFORMANCE BENCHMARKS

S&P 500: The Standard & Poor's 500 Index covers 500 large cap stocks representing approximately 80% of the total U.S. equity market capitalization. Companies included in the index have market capitalizations of \$13.1 billion or greater. A company's weight in the index is proportional to its market value. This index is used as a benchmark for large cap domestic equity managers.

S&P 600: The Standard & Poor's 600 Index covers 600 small cap stocks that meet investability and financial viability criteria. Companies included in the index have market capitalizations ranging from \$850 million to \$3.6 billion. A company's weight in the index is proportional to its market value. This index is used as a benchmark for small cap domestic equity managers.

Russell 3000: The Russell 3000 Index consists of the 3,000 largest U.S. companies as measured by total market capitalization, representing approximately 98% of the investable U.S. equity market. The largest company in the index has a market cap of approximately \$2,172 billion and the smallest company is roughly \$257 million. The Russell 3000 Index is the overall domestic equity benchmark.

Russell 2000: An index consisting of the roughly 2,000 smallest securities contained in the Russell 3000 equity market. The average market capitalization of companies in the index is approximately \$3 billion. This index is used as a benchmark for domestic small cap equity managers.

Russell 2000 Growth: A small cap growth index consisting of approximately 50% of stocks in the Russell 2000 Index. This index consists of companies with higher price-to-book ratios and higher forecasted growth values. The average market value cap for stocks in this index is \$3.8 billion and the median market cap is \$1.36 billion. This index is used as a benchmark for domestic small cap growth equity managers.

Russell 2000 Value: A small cap value index consisting of approximately 50% of stocks in the Russell 2000 Index. This index consists of companies with lower price-to-book ratios and lower forecasted growth values. The average market value cap for stocks in this index is \$2.89 billion and the median market cap is \$1.09 billion. This index is used as a benchmark for domestic small cap value equity managers.

Russell 1000 Growth: An index compiled from the stocks of the companies in the Russell 1000 which reflect a greater than average growth orientation. Stocks in the index tend to exhibit higher price-to-book and price-earnings ratios, and other growth characteristics. The index contains stocks from approximately 501 companies. It is used as a benchmark for large cap domestic equity growth managers.

Russell 1000 Value: An index compiled from the stocks of the companies in the Russell 1000 which reflect lower price-to-book ratios and lower expected growth. The index contains stocks from approximately 848 companies. The index is used as a benchmark for large cap domestic equity value managers.

S&P Developed Ex U.S. Small Cap: The Standard & Poor's developed Ex-U.S. Small Cap index covers the lowest 15% of the market cap in each developed country, excluding the U.S. The average market cap of stocks in this index is \$1.2 billion and the median cap

Manager Selection and Retention Policy

is \$630.6 million. A company's weight in the index proportional to its market value. This index is used as a benchmark for international developed small cap managers.

MSCI ACW ex U.S.*: The Morgan Stanley Capital International All Country World ex U.S. Index. An index composed of securities from 49 developed and emerging market countries of the Americas, Europe, the Middle East, Asia and the Pacific, excluding the United States. The index does not include securities from markets closed to foreign investment or those securities in open markets that are not purchasable by foreigners. The index is used as a benchmark for international equity managers.

MSCI ACW ex U.S. Growth*: The Morgan Stanley Capital International All Country World ex U.S. Index. An index composed of securities from 49 developed and emerging market countries of the Americas, Europe, the Middle East, Asia and the Pacific, excluding the United States. The index does not include securities from markets closed to foreign investment or those securities in open markets that are not purchasable by foreigners. The index captures growth style characteristics as defined by long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term EPS growth trend and long-term historical sales per growth trend. The index is used as a benchmark for international equity growth managers.

MSCI ACW ex U.S. Value*: The Morgan Stanley Capital International All Country World ex U.S. Index. An index composed of securities from 49 developed and emerging market countries of the Americas, Europe, the Middle East, Asia and the Pacific, excluding the United States. The index does not include securities from markets closed to foreign investment or those securities in open markets that are not purchasable by foreigners. The index captures value style characteristics as defined by book value to price, 12-month forward earnings to price and dividend yield. The index is used as a benchmark for international equity value managers.

MSCI EAFE Index*: The Morgan Stanley Capital International Europe, Australasia, and Far East Index is a market capitalization weighted index consisting of developed markets outside of the U.S. and Canada. It is maintained by MSCI Barra. The index ranks each stock in the investable universe from largest to smallest by market capitalization. The index includes a selection of stocks from 21 developed markets but excludes those from the U.S. and Canada. The index has been calculated since December 31, 1969, making it the oldest international stock index. It is probably the most common benchmark for foreign stock funds.

MSCI EAFE Small Cap Index: The Morgan Stanley Capital International Europe, Australasia, and Far East Small Cap Index is a market capitalization weighted index consisting of small cap developed markets outside of the U.S. and Canada. The index does not include securities from markets closed to foreign investment or those securities in open markets that are not purchasable by foreigners. The average market value cap for stocks in this index is \$1,325 million and the median market cap is \$862 million. The index is used as a benchmark for international developed small cap managers.

MSCI Emerging Markets*: The Morgan Stanley Capital Emerging Markets Free Index is composed of securities from companies of 27 emerging market countries in Europe, Latin America, Asia and the Pacific. The index does not include securities from markets closed to foreign investment or those securities in open markets that are not purchasable by foreigners. The index is used as a benchmark for emerging markets managers.

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Bloomberg U.S. Long Government/Credit Bond Index: The U.S. Government/Credit Long Index is a broad market index similar in composition to the Government/Credit. The Long index is composed of those bonds within the Government/Credit index that have maturities of 10 years or greater. This index is used as a benchmark for the fixed income long duration manager.

Bloomberg U.S. Universal Bond Index: The index covers most of the different sectors in the U.S. fixed income market including the high yield sector. The index is used as a benchmark for our fixed income allocation.

Bloomberg U.S. Aggregate Bond Index: The index covers U.S. dollar denominated investment grade fixed-rate debt including treasury and various corporate bonds. This index is used as a benchmark for our fixed income core and opportunistic managers.

ICE BofA Merrill Lynch U.S. High Yield Constrained Index: The Intercontinental Exchange Bank of America Merrill Lynch U.S. High Yield Constrained Index tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market.

Bloomberg U.S. Government Inflation-Linked Bond Index: The index measures the performance of the U.S. Treasury Inflation Protected Securities (TIPS) market.

3-month Treasury Bill plus 1%: The custom benchmark measures the performance of the Unconstrained fixed income portfolio.

Bloomberg Global Aggregate Credit Index USD Hedged (LGDRTRUH): The Bloomberg Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities.

ICE BofAML Developed Markets High Yield Index USD (HYDM): ICE BofA Developed Markets High Yield Index is a subset of ICE BofA Global High Yield Index including all securities with a country of risk that is a member of the FX G10, all Western European countries, and territories of the U.S. and Western European countries. The FX G10 includes all Euro members, the US, Japan, the UK, Canada, Australia, New Zealand, Switzerland, Norway and Sweden.

JP Morgan Emerging Markets Bond Index Global Diversified USD (JPGCCOMP): The most widely followed USD EM sovereign index, the index diversification methodology constrains a country's weight by first adjusting the face amount outstanding and then applying an additional layer of maximum weight cap of 10%. The EMBI Global Diversified has the same instrument composition as the market-cap weighted EMBI Global index. Country criteria requires that GNI per capita must be below the Index Income Ceiling (IIC) for 3 consecutive years. Securities allowed consist of all fixed, floaters, amortizers, capitalizers, and loans with a \$500MM minimum face amount outstanding and a minimum of 1 year till maturity to maintain inclusion. The index includes quasi-sovereign securities.

Manager Selection and Retention Policy

Credit Suisse Leveraged Loan Index (CSLLLTOT)(together the “Index”): The Credit Suisse Leveraged Loan Index is a monthly rebalanced index with an inception date of 31 December 1991. This index includes loan facilities rated “5B” or lower, i.e. the highest Moody’s/S&P ratings are Baa1/BB+ or Ba1/BBB+, with the tenor being at least one year. Issuers from developed countries are included; issuers from developing countries are excluded. This index is composed of all fully funded term loan facilities trading in the syndicated loan market, the price of each loan facility is sourced from a pricing vendor widely used by buy-side participants in the leveraged loan markets. All prices are evaluated by the pricing vendor, meaning that they are compiled by the pricing vendor from dealers.

NCREIF: The National Council of Real Estate Investment Fiduciaries Property Index is comprised of real properties of all types located throughout the United States and owned by tax exempt institutional investors. The Property Index includes properties that are encumbered with mortgages (leverage). However, all returns are reported on a non-levered basis. The NCREIF Property Index has been used since July 1, 2001.

NFI-ODCE: The National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index (NFI) Open-End Diversified Core (ODCE) Index is an index of investment returns reporting on both a historical and current basis of the results of 36 open-end commingled funds pursuing a core investment strategy.

FTSE Nareit All Equity REITs Index: The Financial Times Stock Exchange European Public Real Estate Association/National Association of Real Estate Investment Trusts Developed Index is designed to track the performance of listed real estate companies and REITS in the US.

FTSE EPRA/NAREIT Developed Index*: The Financial Times Stock Exchange European Public Real Estate Association/National Association of Real Estate Investment Trusts Developed Index is designed to track the performance of listed real estate companies and REITS worldwide.

*International indexes are gross total return indexes.

APPENDIX 2 - SAMPLE LETTER – WATCH LIST

Dear:

Notice of Placement on Watch Status

This is to advise you that in accordance with the provisions of the Manager Selection and Retention Policy (Section 8.0) as adopted by the Board of Fire and Police Pension Commissioners, XYZ, Inc. has been formally placed on Watch status. Firms are placed on Watch status when their investment performance, changes in their investment style, or changes within their organization cause the Board concern.

The Purpose of the Manager Selection and Retention Policy is to help ensure the highest levels of performance by Los Angeles Fire and Police Pension Fund's (LAFPP) investment managers. The Policy requires regular evaluations of manager performance against objective standards and identifies those managers whose performance indicates their value-adding capabilities have deteriorated. A copy of the Manager Selection and Retention Policy is enclosed for your reference.

Your firm has been placed on the Watch List following the December 31, 20XX year-end period. The portfolio returned XX.XX% for the three-year annualized basis ending 20XX, which is less than the benchmark of the ABCDE Index at XX.XX%, and places XYZ, Inc. in the XXth percentile in comparison with a peer group of similar managers.

LAFPP Staff will contact you to discuss the specifics of your performance. Staff may also schedule you for a presentation of your plans for improvement before the Board.

Should the Board be dissatisfied with your portfolio's performance, changes in your investment style, or changes within your organization, the Board may, in the best interests of LAFPP, vote to terminate your contract immediately. I wish to stress that the Board retains the right to terminate a manager's contract at any time during the contract period or allow the contract to expire, including while a firm is on Watch status.

If you have any questions, please contact me at 213- 279-3020.

Very truly yours,

KRISTY NGUYEN
Acting Chief Investment Officer

Enclosure

c: LAFPP General Consultant, RVK

Los Angeles Fire & Police Pension System

9.0 - MARKETING CESSATION POLICY

PURPOSE

- 9.1 The purpose of this policy is to prevent, and avoid the appearance of, undue influence on the Board or any of its members, or on Staff, in the award of all contracts. This policy is intended to align with the City's Governmental Ethics Ordinance, Section 49.5.11(A).

Restrictions on Contact and Prohibition on Gifts

During the relevant period, as described below, firms covered by this policy are prohibited from any contact with Department Staff and the Consultant except for: (1) meetings with the Consultant; (2) providing information to Staff or the Consultant; (3) meeting at the Department's office with Staff; and (4) any Staff and Consultant due diligence site visits. Firms covered by this policy shall not have any contact with Board members during the relevant period other than at public Board meetings.

During the relevant period, Board members, Department Staff, and the Consultant will accept no gifts of any kind or value from a firm covered by this policy, except for food at an annual general meeting or a due diligence office visit.

Notification of this policy will be sent to firms considered by Staff or the Consultant to be interview candidates, and firms covered by this policy shall be listed in the Board's monthly report.

Public or Semi-Public Investment Services

For firms investing in public or semi-publicly traded securities or other similar services, this policy shall apply to firms meeting the search criteria from the time the search begins (with the Board's approval of the minimum criteria for the search), until the time the search ends (with the selection of the firm(s) to receive the contract(s)).

Private Equity and Real Estate Investments

For private equity investments and real estate investments in closed or open-ended funds, the marketing cycle is different from investment firms that provide services relating to public investments. Private equity funds and closed end real estate funds have a marketing period that opens and closes sporadically and open-ended funds are generally open to new business most of the time. For investments like these, this policy shall apply during any time in which the fund managed by the firm is open to new business.

Renewals and Additional Commitments

For firms currently managing money for the Fund in the public markets whose

contract is up for renewal within three months, or firms currently managing private equity or real estate funds for LAFPP that are open to new investors or raising a new fund, the same restrictions apply with the following exceptions.

Board members, Department Staff and the Consultant will accept no gifts from that firm until a decision regarding the firm or fund (renewal or additional commitment) has been made. Meals available to all the attendees at an annual meeting are not considered to be gifts to Staff or the Consultant however, normal gift limits would apply in this case.

Firms managing money in the public markets who currently have contracts with the Los Angeles Fire and Police Pension System may continue contact related to the existing contract with Staff and the Consultant, but any contact with Board members must be limited to Board meetings.

Contract Disclosures Prior to Interview

Prior to the interview with the Board, firms that are invited to interview with the Board, at the time of the interview, will be required to submit a list of contacts. The list of contacts shall indicate all contacts with Board members and Consultants during the three-month period prior to the interview or during the search period, whichever is longer.¹

The City's Governmental Ethics Ordinance Section 49.5.11 states:

"Except at a public meeting, a member of a City board or commission shall not participate in the development, review, evaluation, or negotiation of or the recommendation process for bids, proposals, or any other requests for the award or termination of a contract, amendment, or change order involving that board, commission, or agency. This does not preclude individual members from reviewing documents and other information provided by agency staff when preparing for a public meeting at which the matter will be considered." (Amended 06/14/15)

Any violation of this policy shall result in automatic disqualification of the firm.

HISTORY

9.2 Adopted: 02/07/02

Revised:
01/04/2007 06/05/2015 04/16/2020
09/03/2009 08/16/2018
03/03/2011 09/06/2018
09/18/2014 10/03/2019

¹See section 1.18.F.1 and 1.18.I.e of the Ethics Policy, also referred to as the Contractor Disclosure Policy, which can be found in the Board Operating Policies and Procedures.

Los Angeles Fire & Police Pension System

10.0 - SECURITIES LITIGATION POLICY

PURPOSE

- 10.1 The Board of Los Angeles Fire and Police Pension Commissioners (the “Board”) recognizes its obligation to make prudent efforts to preserve and protect the assets of the Plan. The Board acknowledges that securities claims are an asset of the Plan and that the pursuit of litigation may become necessary or appropriate in order to maximize the Plan’s recovery of assets.

The purpose of the Board’s securities litigation policy is to establish procedures and guidelines for monitoring and participating in both securities class actions and other securities related litigation when appropriate to protect the Plan’s assets.

CLAIMS EVALUATION PROCESS AND PARTICIPATION AS LEAD PLAINTIFF

- 10.2 In order to fully and objectively evaluate the Plan’s position in connection with any potential claim, the Board has developed the following process:
- A. Unless the Plan incurs potential damages (loss net of gain) in excess of Three Million Dollars (\$3,000,000.00) in connection with any investment that has given rise to securities litigation, the Plan shall proceed as a member of a domestic securities class action or, if no class action has been filed, the Board shall determine if it should proceed with an independent action based upon review and recommendation by Staff, the City Attorney’s Office and outside counsel.
 - B. If the potential losses exceed Seven Million Dollars (\$7,000,000.00), the Board shall determine if the Plan should seek lead plaintiff status, pursue an independent action, or remain a member of the class. The Board’s decision shall be based upon review and recommendation by Staff, the City Attorney’s Office and outside counsel.
 - C. When determining whether to seek a leadership role in a particular securities lawsuit, the Board may consider relevant factors to guide its fiduciary decision making, including an estimate of the magnitude of the potential damages incurred by the Plan, the nature and severity of the misconduct alleged in the case, the potential recovery that may be obtained if such claim is pursued, and the merits of such claim. The Board shall consider and determine if it is in the Plan’s best interest to pursue lead plaintiff status or proceed with individual litigation. In determining whether to seek lead plaintiff status, the factors to be considered shall include whether the Plan’s participation or action will increase the net monetary value of settlement; the potential effect on the value of the Plan’s investment portfolio; and whether the Plan’s active participation is significantly likely to add value to the potential class recovery.

- D. A foreign securities action is a lawsuit pending or proposed to be filed outside the United States involving securities purchased on a foreign securities exchange or other non-domestic transactions by the Plan or on its behalf. In contrast to domestic securities class actions in which the Plan may remain a passive class member and receive its pro rata share of any recovery, participation as a class member in foreign securities action generally requires the Plan to “opt-in” through registration or other affirmative action by the Plan. Additionally, unlike domestic actions in which law firms provide representation on a contingency fee basis, foreign actions are typically financed by litigation funding groups. These groups assist investors with complex participation and/or claims forms that have strict deadlines. Fees are typically paid as a percentage of the resulting recovery. In foreign securities actions:

The City Attorney and Staff, after input from outside counsel, shall make a decision whether to participate (opt-in). Such consensus recommendation shall be based on core considerations concerning damages, administrative burdens, and liability. To inform the decision whether to participate and/or file a claim in the foreign action, the City Attorney and outside counsel shall evaluate the structure of litigation funding, review retention agreements with foreign counsel, analyze insurance contracts, review powers of attorney, and ensure that LAFPP pays no out of pocket costs. Additionally, if participation in a particular international securities litigation would not be on terms substantially similar to a domestic class action case, the consensus recommendation shall include consideration of whether the cost to participate is too high as to reduce recovery below the point where participation is prudent, the merits of the case and likelihood of recovery, and any other risks to the Plan.

When making a determination whether to opt-in, in addition to the core considerations described in Section 10.2.C above, the City Attorney and Staff shall also weigh the quality and financial stability of the foreign legal counsel and the defense cost funding guarantor, foreign jurisdiction law, and language translation.

The City Attorney is authorized to engage outside counsel and/or a litigation funding group to file a claim on behalf of LAFPP and/or take the actions necessary to participate in the recovery in a foreign case. Fees for assistance with the claims filing process shall only be paid if and when LAFPP recoups money in the case and must be reasonable when considering the complexity of the claim and the cost for similar claims in comparable litigation. The Board provides a standing delegation of authority to the General Manager to execute all necessary documents on behalf of LAFPP with respect to foreign litigation, including power of attorney documents and any follow-up documents to cure deficiencies in a foreign claim.

SELECTION OF SECURITIES LITIGATION COUNSEL

- 10.3 The Board and the City Attorney shall use a Request for Proposal (RFP) process to select one or more law firms to monitor and review the Plan’s investment

portfolio for the filing of class actions. Any law firms selected for such monitoring shall require the approval of the City Attorney. The selected law firms shall make recommendations to the City Attorney, Staff, and, subject to the criteria set forth in Section 10.2 of this Policy, the Board, regarding whether potential or actual securities litigation cases are meritorious and worthy of further investigation, including seeking lead plaintiff status. The monitoring and review service shall be performed at no cost to the Plan.

When the Board has made a determination to pursue an active role in domestic securities litigation, the Board and the City Attorney shall use a Request for Proposal (RFP) process, targeted to the list of law firms previously approved by the Board and the City Attorney, to select a law firm to represent the Plan in connection with a specific securities litigation case. Any law firm selected for such representation shall require the approval of the City Attorney. The selected law firm shall advise the Plan regarding whether the Plan should seek lead plaintiff status or recovery on a joint or individual basis in an action that is not a class action and represent the Plan in litigation in connection with such cases. (Amended 04/16/2020)

MONITORING ACTIONS

10.4 The City Attorney in conjunction with outside counsel shall provide ongoing status reports to the Board on all securities litigation cases in which the Plan sought to be appointed or was appointed as lead plaintiff in a class action or in a case in which the Plan has filed an independent action. These reports shall include a summary of all major developments in connection with such cases. All strategic decisions in such litigation shall be made by the Board.

HISTORY

10.5 Adopted: August 21, 2003

Revised:

10/01/2009	09/06/2018	05/05/2022
09/18/2014	12/20/2018	
10/06/2016	04/16/2020	

Los Angeles Fire & Police Pension System

11.0 - DUTIES OF RESPONSIBLE PARTIES

DUTIES OF THE BOARD OR ITS DESIGNATE(S)

- 11.1 The Board has the responsibility for the administration of the Plan for the benefit of plan participants, although it is not the intent of the Board to become involved in the day-to-day investment decisions. The Board or its designee(s) will adhere to the following procedures in the management of the Board's assets:
1. The Board develops and approves policies for the execution of the Board's investment program. Only the Board in its sole discretion can delegate its decision-making authority regarding the investment program. Staff will be responsible for the implementation and administration of these decisions.
 2. The Board shall review investments quarterly, or as needed, to ensure that policy guidelines continue to be met. The Board shall monitor investment returns on both an absolute basis and relative to appropriate benchmarks, as well as peer group comparisons. The source of information for these reviews shall come from Staff, outside consultants, the custodian, investment managers, etc.
 3. The Board may retain investment consultants to provide such services as conducting performance reviews, asset allocation, manager reviews, and investment research.
 4. The Board shall be responsible for taking appropriate action if investment objectives are not being met or if policies and guidelines are not being followed. Reviews for separate portfolios managed by external managers will focus on the following areas:
 - a. Manager compliance to the Policy guidelines.
 - b. Material changes in the managers' organizations, such as investment philosophy, personnel changes, acquisitions or losses of major accounts, etc. The managers will be responsible for keeping the Board advised of any material changes in personnel, investment strategy or other pertinent information potentially affecting performance.
 - c. Investment performance relative to each manager's stated performance benchmark(s) as set forth in the manager's investment guidelines.
 5. The Board shall expect Staff to administer the Plan's investments in a cost-effective manner subject to Board approval. These costs include, but are not limited to, management, consulting and custodial fees, transaction

Duties of Responsible Parties

- costs, and other administrative costs chargeable to the Board.
6. The Board shall be responsible for selecting qualified investment managers, consultants, and custodian.
7. Voting of proxies in stocks held by the System will be done according to Board policy.

DUTIES OF THE STAFF

- 11.2 The Staff provides analysis and recommendations to the Board on a wide variety of investments and investment related matters. Additionally, Staff oversees and directs the implementation of Board policies and manages the Fund on a day-to-day basis. Furthermore, Staff's responsibilities include the following duties:
 1. Invests the Fund's cash without requiring Board's permission as set forth elsewhere in the Board's Investment Guidelines.
 2. Monitors investment managers for adherence to appropriate policies and guidelines.
 3. Evaluates and manages the relationships with brokers, managers and custodian(s) to the Fund to ensure that they are providing all of the necessary assistance to the Board and Staff.
 4. Conducts the manager search process, as approved by the Board, with assistance from consultants as needed.
 5. Negotiates investment management fees and executes contracts on behalf of the Board for the Plan.
 6. Manages portfolio restructuring resulting from portfolio rebalancing or manager terminations with the assistance of consultants and managers, as needed.
 7. Organizes and/or participates in any special research for the Board.
 8. Ensures that Investment Managers conform to the terms of their contracts and that performance-monitoring systems are sufficient to provide the Board with the most timely, accurate and useful information as possible.
 9. Advises and appraises the Board of any other events of investment significance.
 10. Implements and administers policies made by the Board.

DUTIES OF THE INVESTMENT MANAGERS

- 11.3 The Investment Managers shall perform the following duties:
 1. Contract by written agreement with the Board to invest within approved guidelines.

Duties of Responsible Parties

2. Provide the Board with proof of liability and fiduciary insurance coverage.
3. Be an SEC-Registered Investment Advisor under the 1940 Act or an authorized bank or trust and be recognized as providing demonstrated expertise during a number of years in the management of institutional, tax-exempt assets within a defined investment specialty.
4. Adhere to the investment management style concepts and principles for which they were retained, including, but not limited to, developing portfolio strategy, performing research, developing buy, hold and sell lists, and purchasing and selling securities.
5. Obtain best execution for all transactions for the benefit of the System with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to the System, and, where appropriate, facilitate the recapture of commissions for the System's benefit.
6. Reconcile monthly accounting, performance, transaction and asset summary data with custodian valuations, and communicate and resolve any significant discrepancies with the custodian and the Board's Staff.
7. Provide Staff net-of-fees performance reports.
8. Include DEI and ESG initiatives in all Board presentations.
9. Maintain frequent and open communication with the Board and Staff on all significant matters pertaining to the System, including, but not limited to, the following issues:
 - a. Major changes in the Investment Manager's investment outlook, investment strategy, and portfolio structure;
 - b. Significant changes in ownership, organizational structure, financial condition or senior personnel;
 - c. Any changes in the Portfolio Manager or other personnel assigned to the System;
 - d. Each significant client that terminates or separates voluntarily its relationship with the Investment Manager, within 30 days of such termination/separation;
 - e. All pertinent issues that the Investment Manager deems to be of significant interest or material importance; and,
 - f. Meet with the Board and/or Staff on an as-needed basis.

DUTIES OF THE MASTER CUSTODIAN

11.4 The Master Custodian shall be responsible to the Board for the following duties:

Duties of Responsible Parties

1. Provide complete global custody and depository services for the designated accounts.
2. Manage a Short-Term Investment Fund (STIF) for investment of any un-invested cash and ensure that all available cash is invested. If the cash reserves are managed externally, full cooperation must be provided.
3. Provide in a timely and effective manner a monthly report of the investment activities implemented by the investment managers.
4. Collect all income and realized principal realizable, and properly report it on the periodic statements.
5. Provide monthly and fiscal year-end accounting statements for the portfolio, including all transactions. The statements should be based on accurate security values for both cost and market, net-of-fees. These reports should be provided within acceptable time frames.
6. Report situations where accurate security pricing, valuation, and accrued income are either not possible or subject to considerable uncertainty.
7. Assist the System to complete such activities as the annual audit, transaction verification, or unique issues as required by the Board.
8. Manage a securities lending program to enhance income if directed by the Board. If the securities lending program is managed externally, full cooperation must be provided.

DUTIES OF THE GENERAL INVESTMENT CONSULTANT

11.5 The General Investment Consultant shall be responsible for the following:

1. Review quarterly performance including performance attribution on the Board's managers and total assets, including a check on guideline compliance and adherence to investment style and discipline.
2. Make recommendations for Board presentation regarding investment policy and strategic asset allocation.
3. Assist the Board in the selection of qualified investment managers and in the review of existing managers, including monitoring changes in personnel, ownership, and the investment process.
4. Assist the Board in the selection of a qualified custodian if necessary.
5. Provide Staff net-of-fees performance reports.
6. Provide topical research and education on investment subjects as requested by the Board or Staff.

7. Communicate information that concerns the Board.

HISTORY

11.6 Adopted: May 3, 2007

Revised:

03/19/2009 09/06/2018 10/01/2020

09/18/2014 10/03/2019 10/20/2022

Los Angeles Fire & Police Pension System

12.0 – ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

PURPOSE

- 12.1 LAFPP invests a multi-billion-dollar portfolio in a unique and complex social-economic environment. As a major pension plan with a very long-term investment horizon, the success of LAFPP is linked to global economic growth and prosperity. Consistent with the fiduciary responsibilities to its beneficiaries, the Board will strive to incorporate Environmental, Social and Governance (ESG) considerations into the analysis of its investment decisions. Sustainable returns over long periods of time are in the economic interest of the Fund.

DEFINITION

- 12.2 ESG is a term typically used by investors to represent the evaluation of both financial and non-financial (ESG) factors when making an investment decision. The “E” is for Environmental and represents practices that reduce detrimental changes in the environment. They include mitigating global climate change, greenhouse gas emissions and pollution. The “S” is for Social and stands for practices that improve social conditions in various areas such as employees, the community that a company is in and the products that they provide. The “G” is for Governance and are practices related to business operations and the treatment of employees and customers. Governance-related topics include executive pay, board diversity and business ethics.

PROXY VOTING

- 12.3 Proxy voting is a vital and recurring way to assist the Board in voicing its concerns and preferences. Section 7.0 – Proxy Voting Policy provides the objectives and process of proxy voting with ESG-related language included.

MANAGER SELECTION AND RETENTION

- 12.4 When selecting an investment manager, the guidelines in Section 8.0 – Manager Selection and Retention Policy provide the objectives and process in selecting investment managers.

An additional step in manager selection is to include whether or not the candidate investment managers have an ESG policy.

ESG MONITORING

- 12.5 Investment managers shall submit to Staff the firm’s ESG policy and report on how ESG criteria is incorporated into the investment process on an annual basis. Board presentations by investment managers will include the firm’s ESG initiatives. Staff shall monitor how investment managers analyze ESG risks and opportunities, the process used to identify ESG factors, and related actions taken. There are a

variety of ways to look at ESG with no “one-size-fits-all” solutions. As such, the Plan should make every effort to understand how its investment managers utilize its resources in the area of ESG.

PRIVATE EQUITY AND REAL ESTATE

12.6 In addition to investing in the public markets, LAFPP invests in the private markets through its Private Equity (PE) and Real Estate (RE) asset classes. The primary ways of investing are through Private Equity funds, commingled Real Estate funds and separate Real Estate accounts. The Board accesses these investments through LAFPP’s private equity and real estate Advisors. LAFPP’s holistic approach to investing means that the Board makes investment decisions based on a variety of factors. This is especially relevant because in RE and PE the Board is making a direct decision to invest or not.

The Board’s Advisors follow the same approach when performing due diligence on PE and RE General Partners (and their funds) that might be a potential fit for the PE and RE portfolios. An additional step in the due diligence process performed by the Board’s Advisors is regarding potential General Partners is to ask whether or not the manager has an ESG policy. Staff believes that inquiring of the ESG policies of General Partners is an important aspect of the due diligence process and demonstrates that the Board is committed to its ESG policy.

HISTORY

12.7 Adopted: April 16, 2020

Revised:
11/18/2021 10/20/2022

Los Angeles Fire & Police Pension System

13.0 - ADDRESSING SOCIAL, POLITICAL, AND HUMAN RIGHTS ISSUES

PURPOSE

- 13.1 This policy addresses the financial and administrative risks that the LAFPP Board may face if one of the companies it has invested in has made corporate decisions that cause “substantial social injury”. It defines that term and describes what the LAFPP Board can do about it and how to act quickly.

THE RISK: BACKGROUND

- 13.2 The LAFPP Board is made up of lay volunteers and elected employee and retiree representatives who are the sole protectors of the funds that provide retirement money for current and future safety employees of the City of Los Angeles. Board members all serve in the City of Los Angeles — an international city that is deeply concerned with world-wide political, social and human rights issues. Some of those issues, like the Sudan/Darfur genocidal strife, occur in countries where companies that LAFPP may invest in may do business, directly or indirectly.

When the Board invests System assets, they must follow the standards set for all retirement board members by California Constitution Article XVI § 17. The Constitution imposes fiduciary responsibility on the Board for investing System’s assets, requires them to exercise a high degree of care, skill, prudence and diligence, requires them to diversify investments to avoid risk, and says that their duty to LAFPP’s members comes first, before any other duty.

The Board invests for the long term in companies that they expect will ultimately attain better investment performance by (among other things) operating their businesses with high ethical, social and legal standards. However, LAFPP’s ownership interest in a company does not mean it approves — or even knows about — all of a company’s policies, products, or actions. A company’s possibly risky political and social conduct can only be taken into consideration to the extent that the conduct affects the financial health of the company, or to the extent that divestment of a prior investment (or a decision not to make a particular investment) on account of the company’s conduct will not hurt the fund.

SUBSTANTIAL SOCIAL INJURY

- 13.3 What is “substantial social injury”? Answer: any specific action (including inaction) by a company that directly injures its employees, consumers, or other individuals or groups. It includes actions that violate, subvert, or frustrate the enforcement of American or international law aimed at protecting the health, safety, basic freedoms or human rights of individuals or groups. The term includes support of (i) government-endorsed genocide (as identified by the United States Department of Treasury, Office of Foreign Assets Control (OFAC)) or (ii) other human rights violations that inflict substantial injury to health, safety or freedom.

Addressing Social, Political, and Human Rights Issues

The company's action must be directly responsible for identifiable social injury to fall within this definition. Company action that creates only a chance that social injury might occur is not included. Likewise, doing business with other companies that are themselves engaged in socially injurious activities is not included except in unusual circumstances.

The LAFPP Board will examine any claim of substantial social injury on a case-by-case basis, using the best available evidence and allowing parties to the claim reasonable time to gather and present that evidence. The Board will decide whether to address these issues in a particular case, based on 1) the size of the interest that LAFPP holds in the business; and 2) how serious is the business's violation of LAFPP policies. As stated above, a company's possibly risky political and social conduct can only be taken into consideration to the extent that the conduct affects the financial health of the company, or to the extent that divestment of a prior investment (or a decision not to make a particular investment) on account of the company's conduct will not hurt the fund.

WHAT THE LAFPP BOARD CAN DO

- 13.4 When informed of a company's actions that violate LAFPP policies, the Board will promptly direct its investment staff to seek a change in the company's behavior, using the four steps described below, and to report on the status of progress at each subsequent Board meeting until the issue is resolved to the Board's satisfaction. Each of these steps will be undertaken promptly.

First, the LAFPP Board will direct its investment staff to engage, in a constructive manner, corporate management whose company's actions are reported to cause substantial social injury. All forms of engagement may be used — letter-writing, working with advocacy groups, proxy voting, etc. The most important feature is for the engagement to start right away and to request and obtain prompt replies from third parties to all questions throughout the process of engagement.

Second, if after reasonable efforts have been made to constructively engage management, it is still clear that the action complained of has in fact occurred and is continuing and, in the Board's opinion, the responses and remedies are insufficient or nonresponsive, the Board will direct its investment staff to tell its equity investment managers that, to the extent that suitable investment alternatives are available and that substituting them in the investment portfolio will result in no loss in portfolio return or increase in risk, the managers shall dispose of the interest (or avoid investing) in the violating company and invest in the alternative(s) until such time as the violations of this policy cease.

Third, the Board will direct its investment staff to advise the Board when and if the policy violation has been remedied.

Fourth, upon the Board's concurrence that the policy violation has been remedied, the Board will direct its investment staff to promptly inform the equity investment managers that the securities can thereafter be purchased.

HISTORY

13.5 Adopted: May 17, 2007

Revised:
09/18/2014
09/06/2018

Los Angeles Fire & Police Pension System

14.0 - IRAN POLICY

GENERAL POLICY

- 14.1 Investment managers should refrain from purchasing securities where the company has been identified as doing business in Iran's energy sector or with the government of Iran, when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security.

The list of scrutinized companies identified by the State Board of Administration of Florida or a recognized provider of this list as having activities in the Iran petroleum energy sector will constitute the Board's list of companies subject to its Iran Policy.

INVESTMENTS SUBJECT TO DIVESTMENT

- 14.2 The Iran Policy shall apply only to actively managed separate accounts in the public equity asset classes. The Iran Policy shall not apply to index funds, commingled funds, hedge funds or assets held in the real estate or alternative investment program.

HISTORY

- 14.3 Adopted: April 15, 2010; Revised: 09/18/14.

Los Angeles Fire & Police Pension System

15.0 - SUDAN POLICY

GENERAL POLICY

- 15.1 Investment managers should refrain from purchasing securities where the company has been identified as doing business in Sudan's energy sector or with the government of Sudan, when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security.

The list of companies identified by the State Board of Administration of Florida or a recognized provider of this list as having business operations in Sudan will constitute the Board's list of companies subject to its Sudan Policy.

INVESTMENTS SUBJECT TO DIVESTMENT

- 15.2 The Sudan Policy shall apply only to actively managed separate accounts in the public equity asset classes. The Sudan Policy shall not apply to index funds, commingled funds, hedge funds or assets held in the real estate or alternative investment program.

HISTORY

- 15.3 Adopted: March 1, 2007

Revised:

05/17/2007 09/18/2014

04/15/2010 10/03/2019

Los Angeles Fire & Police Pension System

16.0 - FIREARMS INVESTMENT POLICY

GENERAL POLICY

- 16.1 Investment managers should refrain from purchasing securities where the company has been identified as manufacturing firearms that are illegal in California, when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security.

The list of companies identified by the California State Attorney General as manufacturers of these firearms will constitute the Board's list of companies subject to its Firearms Investment Policy.

INVESTMENTS SUBJECT TO POLICY

- 16.2 The Firearms Investment Policy shall apply to actively managed separate accounts in the public equity asset classes.

The affected managers shall report on a calendar year basis the financial impact of any firearms manufacturers that were removed from the portfolio.

- 16.3 The Board's private equity managers(s) shall inquire with each proposed fund, their intention to invest in companies that manufacture firearms that are designated by the California State Attorney General as being illegal for sale in California and inform the Board of the response.

HISTORY

- 16.4 Adopted: March 7, 2013

Revised:
05/16/2013
09/18/2014

Los Angeles Fire & Police Pension System

17.0 – ENFORCEMENT ACTION AND LITIGATION REPORTING POLICY

PURPOSE

- 17.1 This policy ensures the Board is timely advised of material government enforcement actions, non-routine regulatory proceedings, disciplinary actions, and litigation involving investment managers and consultants (together referred to in this Policy as “investment contractors”) contracted with the Board so that the Board can make prudent decisions regarding the involved investment contractors. The purpose of this policy is to establish guidelines, roles and responsibilities, and procedures for when and how such information should be reported to the Board.

This Policy shall be incorporated into all investment contracts with the Board that incorporate the Board Investment Policies and is intended to clarify reporting duties to strengthen and supplement existing contractual obligations requiring reporting by the investment contractor to the Board.

MATERIALITY

- 17.2 Information shall be deemed “material” under this Policy (Sections 17.4 and 17.5) when there is a substantial likelihood that a reasonable investor (here, the Board) would have considered the information important in evaluating the investment contractor’s advisory business or the integrity of its asset management operations, or other factors that might be relevant to the investor’s contracting decisions. Factors that may be considered when evaluating materiality include: (1) the proximity of the person(s) involved to the investment contractor’s advisory function and the services provided to LAFPP; (2) the nature of the conduct and/or infraction that led to the enforcement action and/or litigation; (3) the severity of resulting sanctions or damages, if any; and (4) the likelihood that the conduct has caused harm to LAFPP, or could cause such harm if repeated.

The General Manager shall be responsible for making materiality determinations under this Policy Section 17, in consultation with the City Attorney’s Public Pensions General Counsel Division (City Attorney). Examinations by the below-listed regulatory agencies, which are not prompted by specific allegations of wrongdoing and which have not resulted in evidence of material wrongdoing, will generally not be considered material for purposes of this Policy.

CHIEF INVESTMENT OFFICER COLLECTION AND REVIEW OF REPORTS REGARDING INVESTMENT MANAGER AND CONSULTANT CONDUCT

- 17.3 For all investment contractors contracted with the Board, the Chief Investment Officer and their designated investment staff member(s) shall collect and review reports and publicly reported information regarding:
- A. Securities and Exchange Commission (SEC) enforcement actions;

ENFORCEMENT ACTION AND LITIGATION REPORTING POLICY

- B. Department of Justice enforcement actions;
- C. State attorney general enforcement actions;
- D. Other federal, state, or foreign agency enforcement actions;
- E. Other financial industry disciplinary proceedings, including but not limited to FINRA and other self-regulatory non-governmental entities;
- F. Criminal prosecution or investigation; or
- G. Civil litigation or arbitration.

Such reports may consist of contractually-required investment contractor notifications, voluntary investment contractor notifications, required regulatory reports and forms submitted by investment contractors, investment consultant notifications, publicly reported information, and/or any other sources that provide such reports. Where investment contractor notifications are required by contract, investment contractors shall notify the Chief Investment Officer and/or their designated investment staff member(s) within three (3) days of the investment contractor having notice of such information, unless otherwise required by law.

ELEVATION OF REPORTS FROM THE CHIEF INVESTMENT OFFICER TO THE GENERAL MANAGER

17.4 The Chief Investment Officer shall evaluate the reports described in Section 17.3 for possible elevation to the General Manager. The Chief Investment Officer shall elevate reports to the General Manager when they contain any of the following attributes:

- A. An investment contractor or a principal or employee thereof was charged with, convicted of, or pleaded guilty to a felony;
- B. An investment contractor or a principal or employee thereof was charged with, convicted of, or plead guilty to a misdemeanor involving: investments or an investment-related business, or any fraud, false statements or omissions, theft, embezzlement, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
- C. An investment contractor or a principal or employee thereof was charged with, or found to have been involved, in a violation of an investment-related statute, regulation, or rule;
- D. An investment contractor or a principal or employee thereof was the cause of an investment-related business having its authorization to do business denied, suspended, revoked, or restricted;
- E. A self-regulatory organization or commodities exchange: suspended or expelled from membership a principal of an investment contractor or an employee in a managerial position thereof; denied, suspended, revoked or

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restricted their authorization to do business; barred or suspended them from association with other self-regulatory organization or commodities exchange members; or otherwise restricted their activities;

- F. The SEC, Commodity Futures Trading Commission, other federal regulatory agency, state regulatory agency, any foreign financial regulatory authority, self-regulatory organization, or commodities exchange charged or found that an investment contractor or a principal or employee thereof made a material false statement or omission, or was dishonest, unfair, or unethical or in material violation of the contractor's fiduciary or contractual duties to its clients;
- G. The investment contractor provided the report as a contractually-required notification to the Board of any regulatory proceeding or material litigation relating to the investment contractor's business to which the investment contractor or any of its owners, principals or employees is a named party; or
- H. An investment contractor or a principal or employee thereof was the subject of a civil self-regulatory, or administrative proceeding, or a litigation or arbitration claim alleging damages in excess of \$100,000, involving any of the following:
 - 1. Any investment or an investment-related business or activity;
 - 2. Fraud, material false statement or omission;
 - 3. Theft, embezzlement, or other wrongful taking of property;
 - 4. Bribery, perjury, forgery, counterfeiting, or extortion;
 - 5. Dishonest, unfair, or unethical practices, or
 - 6. Breach of fiduciary duty.

The Chief Investment Officer shall confer with the City Attorney for assistance in determining whether reports should be elevated to the General Manager pursuant to Section 17.4.

GENERAL MANAGER EVALUATION AND REPORTING TO THE BOARD

- 17.5 Upon receipt of reports described in Section 17.4, the General Manager shall evaluate them for possible reporting to the Board. The General Manager will report investment contractor conduct to the Board when such conduct is deemed to be material under this Policy, and/or because:
- A. The General Manager believes that the conduct creates reputational risk to the Board and/or the Plan through their association with the investment contractor;
 - B. There is a substantial likelihood that the conduct may lead to media

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inquiries or other publicity, such that the Board should have in place a coordinated plan to respond to such inquiries, and/or the General Manager deems it prudent to inform the Board prior to such publicity to ensure the Board receives accurate and complete information;

or

C. Upon request of one or more Commissioners.

As part of the evaluation process, the General Manager shall confer with the City Attorney and specialized outside counsel, as appropriate, and may seek additional information from the Chief Investment Officer.

- 17.6 When the General Manager determines that investment contractor conduct is required to be reported to the Board pursuant to Section 17.5, the General Manager or their designee, through the Commission Executive Assistant, shall send separate emails to each Commissioner briefly summarizing the conduct and the contractual relationship between the investment contractor and the Plan. Such emails shall refer any follow up questions to the General Manager or the Managing Assistant City Attorney, Public Pensions General Counsel Division.
- 17.7 If the General Manager concludes that, in addition to the emails briefing Commissioners described in Section 17.6 of this Policy, Board discussion at a public meeting would be in the best interest of the Plan, or is required to seek the Board's consideration and approval of recommended action(s), the General Manager shall confer with the Board President to schedule the item on the agenda for Board consideration and possible action at an upcoming Board meeting. Upon the request of the General Manager, the City Attorney, with the assistance of specialized outside counsel, as appropriate, shall provide confidential attorney-client privileged written advice to the Board in connection with the General Manager's report to the Board on the item, including legal advice on the recommended Board action(s) to be taken by the Plan, if any.
- 17.8 Commissioners and staff members shall not respond to media inquiries regarding investment contractor conduct. Pursuant to Sections 7.2 and 9.8 of the Board Governance Policy, the President and General Manager will confer to determine who shall act as spokesperson for the System should the need arise, with the President having the authority to make the final determination.

If necessary, the President shall review and approve any final press release regarding investment contractor conduct for dissemination and publication.

HISTORY

- 17.9 Adopted: August 4, 2022