



August 15, 2022

TO: Each Trustee,
Audit Committee

SUBJECT: Audit Committee Meeting on August 18, 2022 – Agenda item V. A & V.C.

Following you will find supplemental information regarding the above-mentioned meeting:

1. V. A. Fiscal Year Ending 2023 Audit Plan – Presentation
2. V.C. Approval of KPMG LLP to Perform an Investment Operational Due Diligence Consulting Review – Attachment B (KPMG Proposal)



Internal Audit FYE 2023 Audit Plan

Prepared by
Leisha Collins, Principal Internal Auditor
Christina Logan, Principal Internal Auditor

Audit Plan Overview

According to the Institute of Internal Auditor's (IIA's) *International Standards for the Professional Practice of Internal Auditing (Standards)*, the Chief Audit Executive (CAE) must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals. To remain in compliance with the *Standards*, as well as the Audit Committee Charter, Internal Audit developed the FYE 2023 Audit Plan (*Audit Plan*). The Audit Plan is designed to provide coverage of key risks, given the existing staff and approved budget.

The Audit Plan Development

The projects included in our Audit Plan are primarily identified through our on-going risk assessment. This process includes keeping abreast of the concerns of the Audit Committee and Boards throughout the year, discussions with Executive Management, review of LACERA's Strategic Plan, risk meetings with division managers, and identifying risk areas from prior internal and external audits. We also factor into our Audit Plan current industry concerns.

Scope Limitations

Although this Audit Plan contemplates a wide-ranging scope of activities, it does not provide coverage for all operations and business functions. Internal Audit Services has tried to maximize the resources to provide coverage to the activities believed to require the most attention based on the risk assessment results.

Audit Plan Modification

Interim changes to the Audit Plan will occur from time to time due to changes in business risks, timing of initiatives, and staff availability. Amendments to the approved Audit Plan will be submitted to the Audit Committee for approval in advance.

Types of Audit Engagements and Audit Activities

Assurance: Provide an objective examination of evidence for the purpose of providing an independent assessment to Management and the Audit Committee on governance, risk management, and control processes for LACERA. Included in this category is our work relating to our risk assessment and recommendation follow-up on outstanding recommendations

Consulting: Provide Management with formal assessments and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility.

Advisory: Provide Management with informal advice.

Internal Audit Operations: Consist of audit activities directly impacting the Internal Audit Division which includes our Quality Assurance and Improvement Program (QAIP), professional development and training, Audit Committee support, and audit software maintenance.



Audit Plan Development

February/March
Meetings



Propose Audit Plan & Budget

Based on:

- Cyclical / known risk areas
- Review AC & IA Charters
- Review past audit findings & recommendations

May
Meeting



Define/Refine Audit Universe

Based on:

- Evaluate current risks in industry
- Evaluate recent organizational changes
- Evaluate if needed to update universe

August
Meeting



Complete Audit Universe & FYE 2023 Audit Plan

- With input from Executive Office and Audit Committee
- Committee Approval of Audit Plan

Assess Risk

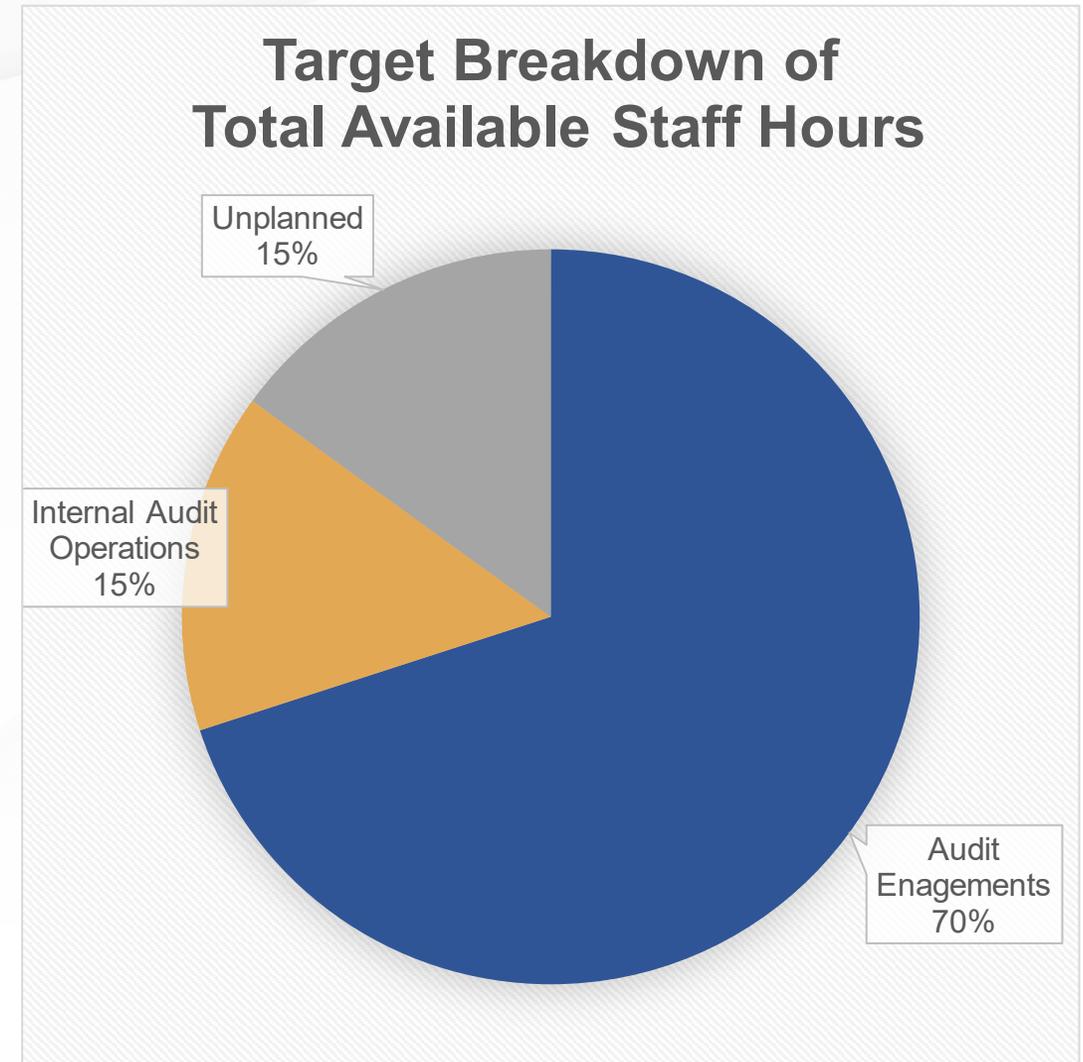
Based on:

- Understand the organization's risk areas
- Input from Audit Committee
- Review of LACERA's Strategic Plan
- Review Division Budget Highlights
- Risk meetings with Division Managers
- Measure the risk of each area identified in the audit universe

Calculating Total Available Staff Hours

Standard Hours (52 weeks X 40 hours)	2,080
Less: Vacation, Holidays, Sick,	(320)
Total Available Work Hours - One FTE	1,760
IA Staff available as of July 1, 2022*	7
Total Available Work Hours - Division	12,320

*One Senior auditor position is on loan to another division. There is one vacant internal auditor position



Managing Internal Audit Resources

Quarterly Assignments

- Audits and Projects are assigned on a quarterly basis
- Focused Preliminary to ensure better planning of audit and budgeting of audit hours
- Primary focus is on audits and completion of audits within budget

On-Going Monitoring

- Principals meet weekly with auditors to discuss status of assignments and monitor hours spent
- TM ongoing tracking and reporting of time spent on assignments
- Budget overages are identified and must be supported and approved for adjustment

Quarterly Reporting

- Staff will provide the Audit Committee with updates of Audit Plan at each meeting
- Staff will provide explanation of overages / delays in completing work

1st Quarter Engagements

Audit Engagement Title	Engagement Type	Audit Engagement Overview
Organizational Check Management	Audit	Audit of the organizational-wide check management and processes to identify areas to strengthen controls and establish formal organizational procedures. This is a rollover from prior year.
Procurement of Services	Audit	This audit will focus on the workflow of the procurement process and organizational compliance with the policy when services are procured.
Third-Party Data Security	Audit	Audit of LACERA's process for ensuring confidential data sent to third-parties is kept secure.
Disability Process	Audit	Audit of LACERA's processing of disability retirement requests.
State Street Bank (SSB)	Limited Scope / CAP	Continuous Assurance Program (CAP) is limited scope testing of transactions and information systems and provides continuous assurance in key areas of compliance and fraud detection. The SSB CAP is testing of authorization to State Street Bank's system.
Duplicate Member Payment	Limited Scope / CAP	Test of duplicate member payments to identify fraudulent payments.
New Payees	Limited Scope / CAP	Test of all new payees added to retirement payroll to ensure no fraudulent payees added
SSN Verification System	Limited Scope / CAP	Validate processes are functioning adequately to prevent payments to decedent accounts.
Investments Due Diligence	Consulting Review	Consulting engagement to review the Investment Office due diligence operations and processes.
LA County Rehired Retiree	Audit	Audit of LA County's rehired retirees to ensure compliance with PEPR. This audit is a roll-over from FYE 2021 Audit Plan and is complete. Staff are finalizing the audit report which will be issued by September 2022
Board Vantage Audit	Audit	Audit of access rights and credentials to Board Vantage System. This audit is a roll-over from FYE 2021 Audit Plan and is complete. Staff are finalizing the audit report which will be issued by September 2022
Review of Privacy Audit Recommendations	Other Assurance	Follow-up on prior Privacy Audit recommendations to assess if changes have adequately addressed areas of concern from the audit.
Oversight SOC Audit	Oversight	Internal Audit manages the relationship with LACERA's external SOC auditors for the annual System & Organizational Controls (SOC).
Oversight Financial Audit	Oversight	Internal Audit manages the relationship with LACERA's external financial auditors for the annual financial statement audit.
Oversight Actuarial	Oversight	Internal Audit manages the relationship with the Actuarial Consultant and Auditor for services relating to actuarial projects.
Oversight THC Financial Audits	Oversight	Internal Audit manages the relationship with the real estate external auditors who perform the real estate THC financial audits.

1st Quarter Internal Audit Operations

Engagement Title	Overview
Quality Assurance Improvement Program (QAIP)	The QAIP includes ongoing improvement of IA's performance through internal assessments, client surveys, and communication of results to key stakeholders. The team also has monthly QAIP meetings to discuss and learn more about key IIA practice guides and other improvement efforts.
Professional Development / CPE	Annual self-assessment, developing self-development program, and allocating for 40 hours of annual training per staff.
Audit Committee support	Preparation of Audit Committee materials and attendance at meetings.
Risk Assessment	Internal Audit has a continuous risk assessment process which includes Updating Audit Universe, Risk Assessments, and develop Audit Plan.
External Quality Assessment(EQA) Recommendations	Internal Audit continues to implement action plans to address recommendations from EQA and provides periodical updates to Audit Committee.
TeamMate	Ongoing implementation of TeamMate tools and applications for improved efficiency and effectiveness of audit work and reporting.
Recommendation Follow-Up	Ongoing follow-up recommendation status and reporting to Committee.
Action Committee Team (ACT)	Staff participate in two ACTs – Fiduciary & Compliance and Metrics

Thank you!

A large image of numerous wooden question marks scattered across the frame. A light gray rectangular box with a thin blue border is positioned in the upper left quadrant of the image, containing the word "QUESTIONS?".

QUESTIONS?



August 1, 2022

TO: 2022 Audit Committee
Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos

Audit Committee Consultant
Robert H. Griffin

FROM: Richard P. Bendall 
Chief Audit Executive

Kathryn Ton 
Senior Internal Auditor

FOR: August 18, 2022 Audit Committee Meeting

SUBJECT: **Approval of KPMG LLP to Perform an Investment Operational Due Diligence Consulting Review**

RECOMMENDATION

Internal Audit recommends that the Audit Committee approve the engagement of KPMG LLP (KPMG) to perform a consulting review of the LACERA's Investment Office's Operational Due Diligence Program and Processes.

DISCUSSION

At the May 9, 2022 meeting, the Audit Committee approved Internal Audit's request to issue a Request for Proposal (RFP) for an investment operational due diligence review. The evaluation team has completed its review and assessment of the firms that responded to the RFP. The results of the evaluation are presented in Attachment A. **Refer to Attachment B for the KPMG proposal.**

RB:kt

Attachments

- A. Presentation to Approve KPMG for LACERA's Investment Operational Due Diligence Review
- B. KPMG's Proposal for LACERA's Investment Operational Due Diligence Review

RFP – Investment Operational Due Diligence Consulting Engagement

Prepared by
Richard Bendall, Chief Audit Executive
Kathryn Ton, Senior Internal Auditor

Background

- **At the May 9, 2022, meeting, the Audit Committee approved Internal Audit's request to issue a Request For Proposal (RFP) to select a qualified investment firm to perform a consulting review of LACERA's Investment Office's Operational Due Diligence (ODD) program and processes. Internal Audit received proposals from Deloitte & Touche, LLP and KPMG LLP.**
- The firm selected for this review will perform an independent assessment of LACERA's operational due diligence practices over a broad range of functional categories including growth, credit-oriented fixed income, real assets and inflation hedges, and risk reduction and mitigation.
- ODD along with investment due diligence (IDD) are important components in the decision to invest and is performed both pre- and post-investment.
 - Pre-investment ODD is the process of evaluating whether the investment manager has the necessary operational capabilities, controls, and framework to execute on an investment mandate that LACERA is considering.
 - Post-investment ODD is the process of evaluating whether the investment manager continues to have the necessary operational capabilities, controls, and framework to execute on the investment mandate that LACERA hired the manager to perform.

Scope of Work

Scope includes, but is not limited to, the following areas:

- Review of the effectiveness of Operational Due Diligence (ODD) in the execution of LACERA's investment program, pre- and post-investment.
 - Evaluating the effectiveness, frequency, and degree/comprehensiveness of ODD performed.
 - Assessing the effectiveness of reliance by LACERA staff on investment consultants and third parties for the performance of ODD in asset classes where those resources are available.
 - Completeness and comprehensiveness of ODD documentation.
- Assessing whether the ODD program covers all appropriate risk factors. Examples include internal controls over operational processes, investment operations, infrastructure and business continuity, compliance, risk management, disclosures, manager organization, fund terms, custody and counterparties, valuation policies, financial statements, and Form ADVs.
 - Evaluation of ODD for internal investment operations.
 - Communication of ODD efforts to the Board of Investments and utilization of data in managing portfolio.
 - Input of best practices in managing an effective ODD program.

Evaluation Team and Scoring Criteria

Evaluation Team

- Richard Bendall, Chief Audit Executive
- Leisha Collins, Principal Internal Auditor
- Christina Logan, Principal Internal Auditor
- Kathryn Ton, Senior Internal Auditor
- Steven Rice, Chief Counsel
- Christine Roseland, Senior Staff Counsel

Evaluation Team scored each section independently.

20%

Firm Background

- Firm has investment-related consulting or auditing services related to ODD for institutional clients for a minimum of 10 years.
- Reliability and continuity of firm
- Firm has adequately demonstrated their approach to diversity, equity, and inclusion in workplace
- Firm references align with knowledge and experience

35%

Team Experience

- Team lead has at least 10 years of experience performing ODD-related work for institutional clients
- No team member has less than 5 years of experience working on ODD-related work for institutional clients
- Work hours assigned to each team member is adequate for this type of review
- Professional capability, demonstrated competence, and specialized experience of team

25%

Methodology

- Proposal includes a detailed and relevant work plan and methodology to accomplish objectives for this review
- Sample reports demonstrate that firm has knowledge and experience to perform this review

10%

Adherence to RFP Instructions

- Clearly addresses information requested
- Overall presentation

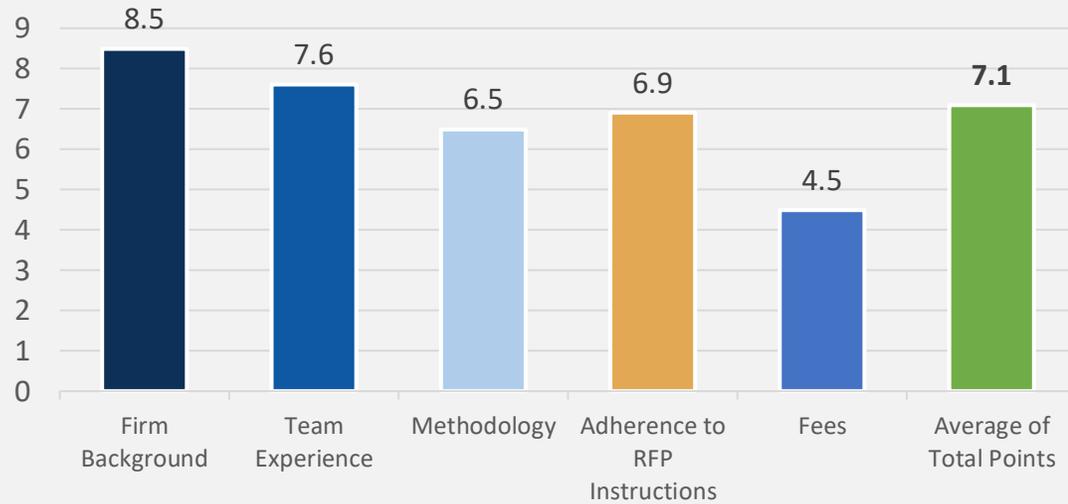
10%

Fees

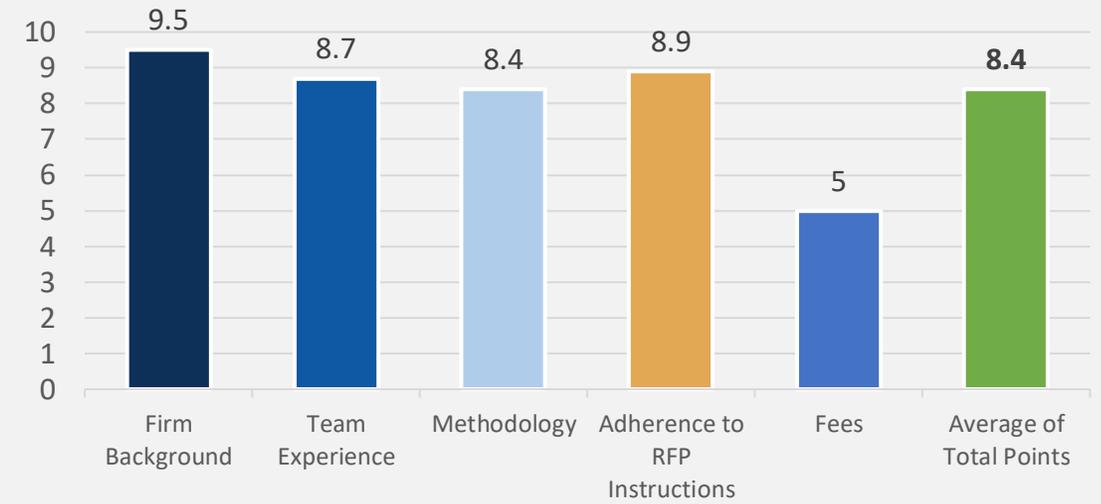
- Fees and hours proposed to complete engagement

Evaluation Scoring

Deloitte



KPMG



Fee Proposal

Proposal reflects each firm's estimate for a 12-week engagement

	Deloitte	KPMG
Project Fee	\$520,00	\$470,000
Project Hours	1,965	1,464
Hourly Rate Range	\$300-\$500	\$250-\$400

Basis for Selection of KPMG

Based on the responsiveness and extent of the RFP, both firms were interviewed and given the opportunity to submit additional information with regards to the scope of work, team, and fees. While both firms have ample experience and skill sets, the evaluation team recommends KPMG for this review.

- KPMG as a firm, services more than 80% of the 50 leading asset management firms in the United States.
- The KPMG team more clearly demonstrated their extensive experience working with major investment firms in the areas of ODD, pricing and valuation governance, compliance program development, board reporting, fund operations and risk management. The team's prior experience include General Counsel at an asset management firm, Senior Securities Compliance Examiner with the SEC, and other senior compliance officer roles.
- KPMG's proposal articulated their approach and methodology drawing on their prior experience performing similar reviews. KPMG's approach was also more structured and illustrated their understanding of and expectation for good ODD practices.
- KPMG's engagement team hours consisted of more senior level professionals.

KPMG Client Team



Mark McKeever is the Lead Engagement Director responsible for this consulting engagement. Mr. McKeever has more than 20 years of financial services experience, including service as a senior securities compliance examiner with the SEC. His areas of concentration include US federal securities laws and regulations and their practical applications across various business models within the investment management, wealth management, and alternative investment industries. Considered a recognized leader in the practice, Mr. McKeever runs engagements for major investment management firms in the areas of ODD, pricing and valuation governance, compliance program development, internal audit support, and fund operations and risk management.



Larry Godin is the Lead Engagement Principal with more than 20 years of experience in the financial services industry and focuses on legal, risk, and compliance issues in the asset management space. Mr. Godin has held positions as chief legal officer for asset management, senior counsel and general counsel at large institutional asset management firms and dually registered broker-dealer/investment advisory firms. He has worked closely with compliance in the creation and implementation of asset and wealth management compliance programs.



Bridghet Donato is the Engagement Director with 20 years of financial services experience with specializations in asset management, compliance, and insurance. Her areas of concentration include knowledge of the US federal securities laws and regulations as well as their practical application across mutual fund complexes, investment advisors, trading operations, and treasury functions. Ms. Donato has served in numerous senior compliance officer roles for investment management firms with responsibilities in areas of ODD pricing and valuation governance, compliance program development, board reporting, fund operations, and risk management.



Katherine Kim is the Engagement Manager with more than 15 years of experience in financial investment management and capital markets. Ms. Kim has experience in the development, implementation, and testing of compliance programs; the assessment of enterprise risk management frameworks and standards; and providing compliance advisory support. Ms. Kim has also performed risk-based ODD of third-party investment managers and subadvisors covering a broad range of strategies including private equity, real estate, long/short equity, fixed income, credit liability-driven investing, and register funds.



Hannah Deits is the Engagement Associate and has prior experience working for a financial arm of an international construction company. Ms. Deits has performed extensive control mappings and analysis for premier capital market clients and will support senior staff ODD professionals on this engagement. Ms. Deits graduated from Belmont University with a BBA degree in economics, with a focus in behavioral economics.

KPMG Project Methodology

PHASE

1

ODD Framework Current State Assessment

Objective: Gain an understanding of LACERA's current state ODD framework and related operational risk factors given the scope and risk profile of its external manager population. This includes a review of the pre- and post-investment ODD processes in place.

Key activities: Obtain an overview of LACERA's Investment Office, review relevant documents, conduct interviews with key stakeholders, and perform a pre- and post-investment ODD assessment.

Deliverables: Detailed matrix documenting the inventory of key ODD activities, risk assessments, governance, control, and reporting processes in place, and a summary of preliminary gaps, redundancies identified, and recommendations.

PHASE

2

Gap Analysis

Objective: Perform a deep dive gap analysis of the current state of the ODD framework against its understanding of lead industry practices and the Investment Office ODD Working Group's action plans.

Key activities: Interviews with stakeholders, documentation requests, and select representative sample of ODD materials created by LACERA internally and by third party vendors to gain insight into the operating effectiveness of the current ODD framework and against leading industry practices.

Deliverables: Completion of the ODD assessment matrix and summaries of gaps and recommendations.

PHASE

3

Final Report

Objective: Completion of deliverables through a series of workshop review sessions with key stakeholders.

Deliverables: Written report detailing the scope, approach, procedures, observations, and recommendations. PowerPoint deck that summarizes observations and recommended next steps.

KPMG Revised Fee Proposal

KPMG submitted a revised fee proposal based on a 8-week engagement

	KPMG
Project Fee	\$304,400
Project Hours	938
Hourly Rate Range	\$250-\$400

Recommendation

KPMG offers a detailed work plan and an experienced team to provide LACERA with insight on its investment operational due diligence practices.

Internal Audit recommends that the Audit Committee approve the engagement of KPMG to perform a consulting review of LACERA's Investment Office's operational due diligence program and processes.

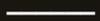


"Achieving the right balance"

**Proposal to serve Los Angeles County
Employees Retirement Association**

Investments Operational
Due Diligence Review

July 18, 2022



[kpmg.com](https://www.kpmg.com)





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New York, NY 10154-0102

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Fax +1 212 758 9819
kpmg.com

EXHIBIT A

PROPOSAL COVER PAGE AND CHECKLIST

Respondent Name: KPMG LLP

Respondent Address: 345 Park Avenue, New York, NY 10154-0102

By submitting this response, the undersigned hereby affirms and represents that they have reviewed the proposal requirements and have submitted a complete and accurate response to the best of their knowledge. By signing below, I hereby affirm that the respondent has reviewed the entire RFP and intends to follow all requirements.

Respondent specifically acknowledges the following facts:

1. Respondent has the required technical expertise and has sufficient capacity to provide the services outlined in the RFP.
Response: Yes. Please refer to sections 3 and 4
2. Respondent has no unresolved questions about the RFP and believes that there are no ambiguities in the scope of work.
Response: We have responded all questions and have no unresolved questions.
3. The fee schedule or price proposal sent in response to the RFP is for the entire scope of work and no extra charges or expenses will be paid by LACERA.
Response: Please refer to Section 11 of the proposal document for further details.
4. To the best of our knowledge, Respondent has completely disclosed to LACERA all facts bearing upon any possible interests, direct or indirect, that Respondent believes any member of LACERA, or other officer, agent or employee of LACERA presently has, or will have, in this contract, or in the performance thereof, or in any portion of the profits thereunder.
Response: Yes, except as further explained in the submitted proposal in Section 9
5. Materials contained in proposals and all correspondence and written questions sent during the RFP process may be subject to disclosure pursuant to the Act.
Response: Yes, except as further explained in the submitted proposal in Section "Other Matters"
6. Respondent is not currently under investigation by any state or federal regulatory agency for any reason.
Response: Yes, except as further explained in the submitted proposal in Section 09 and Section 10
7. The signatory below is authorized to bind the respondent contractually.
Response: Yes



1. Cover letter

July 18, 2022

Ms. Kathryn Ton
Senior Internal Auditor
Los Angeles County Employees Retirement Association (LACERA)
Gateway Plaza
300 North Lake Avenue, Suite 840
Pasadena, CA 91101-4199

Dear Ms. Kathryn,

On behalf of KPMG LLP (KPMG), we are pleased to present our qualifications to assess the Los Angeles County Employees Retirement Association's (LACERA) Investment Office's Operational Due Diligence (ODD) process. To accomplish these imperatives, you need a service provider who can immediately provide the right functional and operational skill sets. Our objective in this proposal is to clearly articulate why we believe KPMG, and more specifically our proposed engagement team, will offer LACERA the technical skills and services you are requesting.

We look forward to continuing to build our long-lasting professional relationship with LACERA and believe that you would benefit from a professional service provider that can bring a thoughtful, client-first perspective, and an engaged responsiveness to your varied needs.



We know you, and you know us: We can begin work immediately as we have had the privilege of working directly with LACERA in the past, so we understand your organization, culture, goals, and challenges. KPMG is demonstrating its commitment to LACERA by assembling a dedicated team of highly experienced partners and professionals. More importantly, you know us and the quality of services we deliver.



A Team with extensive experience conducting similar engagements: The professionals on this engagement to serve LACERA have been chosen based on their investment manager ODD experience as well as their integrity, industry experience, project management skills, and commitment to open and ongoing communication. LACERA can benefit from a highly skilled team with access to subject matter professionals, that is intimately familiar with the asset management industry and the importance of both initial and ongoing ODD performed on external managers. Led by KPMG Principal **Laurence Godin**, the team members can apply their wealth of asset management knowledge to provide the right perspectives and insights for LACERA, conducting a high-quality ODD assessment.



People with the right experience that understand your industry: For close to 100 years, the KPMG State & Local Government practice has assisted a wide variety of public sector clients, including federal agencies, states, cities, counties, school districts, public hospitals, airports, and transit authorities, among other institutions. Today, our Public Sector practice serves more than 2,300 clients throughout the country, including the audits of nearly two-thirds of the nation's "billion-dollar" governments that are audited by an independent audit firm.

The KPMG subject matter professionals assigned to this proposed engagement with LACERA have extensive experience in the asset management industry and have performed similar ODD services to retirement plan investment offices within the public and private sectors. Additionally, this team has deep knowledge gained from performing regulatory and operational risk services to asset managers of all types and asset classes: Mutual Funds, Real Estate Funds, Private Equity Funds, Hedge Funds, and separate account structures.

Understanding your needs and expectations is essential to our ability to deliver an unmatched client experience. Our approach to this project is designed to be focused, impactful, and tailored to LACERA. As you will see in the proposal details that follow, this document summarizes our approach for this project, and the experience and passionate focus on our clients that each team member brings, along with valuable insights and innovative ideas. These qualities, along with our core values, define who we want to be as a firm.

We appreciate this opportunity to present our proposal and look forward to working with you on this important initiative.

Very truly yours,

KPMG LLP

Laurence Godin
Lead Engagement Principal
212-954-1939

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This proposal is made by KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee, and is in all respects subject to our client and engagement acceptance procedures as well as the negotiation, agreement, and execution of a specific engagement letter or contract.

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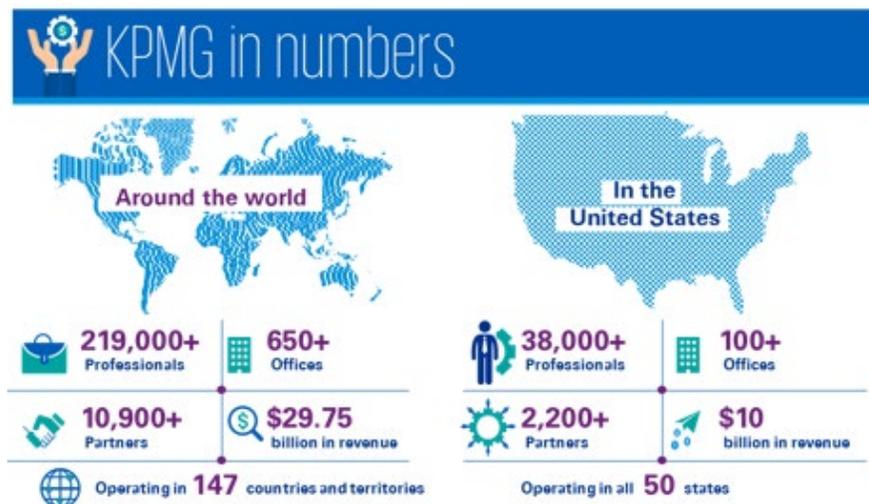
3. Organization and key personnel

a) Describe your organizational structure giving specific details about your parent, any affiliated companies, or joint ventures.

KPMG overview

KPMG International Limited (KPMG International) is a global organization of independent firms providing audit, tax, and advisory services. KPMG firms operate in 144 countries and territories with more than **236,000 partners and employees**.

KPMG LLP (KPMG) is the U.S. member firm of KPMG International, tracing its origins back to 1897. Since 1994 KPMG has been a limited liability partnership registered in the state of Delaware, with more than **38,000 professionals**, including more than **2,200 partners**, in more than 100 offices.



b) Identify the locations of the headquarters and branch office(s) that will be providing services under this LACERA contract.

Location detail	
Headquarter and Servicing Office address	KPMG LLP 345 Park Avenue, New York, NY 10154-0102 Tel: +1-212-758-9700, Fax: +212-758-9819

c) Describe the areas of audit specialty that your firm provides and the number of years that your firm has been providing the services.

Since 1997, the KPMG Risk Advisory Solutions practice has been leveraging the right complement of actuarial; compliance; enterprise risk management (ERM); forensic; governance, risk and compliance (GRC); internal audit; and information technology (IT) audit professionals to deliver a host of technology-enabled risk and compliance services to more than 2,700 U.S. clients. Depending on client needs, any one of these services may take the "lead role" on an engagement, while the team draws on the bench strength of all Risk Advisory Solutions professionals to place subject matter resources where and when they are needed most.

We help clients establish or improve governance, risk, and compliance functions across an organization's internal audit, IT audit risk management, and regulatory and compliance functions. We also support organizations' fraud and third-party risk management functions and perform due diligence, investigations, e-discovery and forensic data analysis, help establish or monitor antifraud and corruption programs, and monitor or advise on disputes.

Our experience with asset management organizations

KPMG provides services to more than 80 percent of the 50 leading asset management firms in the United States. Our clients' fund portfolios range in number from one to more than 600 and encompass a wide variety of product structure and distribution channels. We serve widely known leaders in the investment management industry as well as organizations starting up or spinning out from larger financial institutions. Our Regulatory Risk & Compliance practice provides a wide range of services to a variety of organizations, including:

- Investment managers
- Pension fund sponsors and asset managers
- Mutual fund sponsors
- Institutional investment advisers
- Hedge fund managers
- Private equity fund managers
- Real estate managers

Our professionals, your resources

The KPMG Investment Management practice is one of the fastest growing sectors of KPMG. It has three segments—Mutual Funds, Investment Advisers, and Alternative Investments—and has more than 700 experienced audit, tax, and advisory professionals serving our clients across the United States and more than 3,000 professionals globally.

Strength in financial services

KPMG has dedicated considerable resources to become a leading service provider to the financial services industry. The KPMG global Financial Services practice is our largest line of business, representing more than 25 percent of total firm revenue. Globally, this includes more than 21,000 professionals and 1,500 partners. These professionals are deeply experienced in the issues, challenges, trends, and risks relevant to financial services companies.

Our wide range of services enables a holistic response to regulatory changes, extending beyond compliance to incorporate operations, risk management, governance, change management, IT, training, and other areas. Our Regulatory Risk and Compliance practice works closely with management consulting and operations risk to provide you with an integrated, strategic implementation approach toward regulatory changes.

Five reasons why asset management companies choose KPMG:

1. **Deep experience in asset management:** Regardless of where your firm is in its evolution—from launch to globalization to exit—our professionals have the experience to help you deal with the issues and challenges that impact you today as well as prepare you for what lies ahead.
2. **Depth and breadth of services:** We serve a broad range of industry players—from start-ups to Fortune 50 diversified financial services firms—with varying structures including private partnerships, offshore vehicles, and registered funds.
3. **Integrated implementation approach:** Our Regulatory Risk and Compliance practice works hand-in-hand with Management Consulting, Operations Risk, and other groups to provide an integrated and coordinated implementation approach toward regulatory changes.
4. **Global strength and capabilities:** Professionals located in the world’s commercial hubs, working through our global network of member firms, serve our clients wherever they do business.
5. **Outstanding team leadership by senior professionals:** Our engagement teams, led by experienced partners and professionals, work hand-in-hand with you, members of senior management, and fund boards of directors to (1) help identify, measure, monitor, and control regulatory risk, and (2) deliver practical, customized, and appropriate insight and guidance.

d) Please describe the levels of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance your firm carries for negligent acts or omissions. Attach proof of coverage (e.g., a certificate of insurance) for such insurance that apply to proposer’s actions under the contract.

KPMG LLP maintains a comprehensive professional liability insurance program that provides coverage limits that equal or exceed those of other major professional services firms. The policies provide coverage that is underwritten with various insurers, which include both a captive and commercial insurance and/or reinsurance companies.

Current LACERA Insurance Certificates provided:



2022 - 112 - KPMG -
Los Angeles County



Los Angeles County
Employees_1119773

4. Qualifications and experience

a) Provide a detailed resume for each member of the professional staff who will provide services under this LACERA contract, including their experience in audits and reviews with large retirement systems and other relevant institutions. For key personnel (Partner, Manager/Supervisor) who will have planning and on-site supervisory responsibilities include a description of audit experience and services provided within the last five (5) years.

The strength of the firm that serves you is only as good as the team of people who deliver these services. Our commitment to LACERA is demonstrated by the strength of the team we have selected to serve you. The professionals on this engagement to serve LACERA have been chosen based on their asset management industry experience, as well as their integrity, industry experience, project management skills, and commitment to open, ongoing communication. As your central point of contact from an account perspective, your lead engagement principal, Laurence Godin, will be supported by directors, senior managers, and subject matter professionals who understand and practice our rigorous quality standards. Our professionals strive to "get it right the first time."

We will carefully staff all audit projects with professionals selected for their relevant technical qualifications and track record in helping clients meet a variety of challenges like LACERA's. The team's strong credentials, business minded approach, and commitment to quality service delivery and open communication will help enable us to confirm that issues are dealt with promptly and in an open and transparent manner.

Exception request for minimum experience requirement

KPMG would like to request an exception to the 5 year minimum experience requirement for one junior staff member, Hannah Deits, for the following reasons:

Although Hannah is a junior resource with 2 years professional experience, she has been a proven performer with the practice and in those two years has performed extensive control mappings and analysis for our premier capital markets clients since joining the firm. Hannah is already familiar with the project accelerators we plan to use for this engagement and will work well with the senior staff on this engagement. Her role on this engagement will primarily be supporting the senior staff ODD professionals on the engagement with very important tasks such as:

- Preparation of draft deliverables at the instruction of the senior staff members;
- Coordinator for all meetings with LACERA stakeholders including attendance at all meetings and responsible for preparation of meeting minutes and tracking issues identified and follow up items;
- Tracking and monitoring documentation requests;
- Participate in reviews of LACERA ODD materials and extracting needed information for purposes of analysis based on specified criteria provided by the senior staff ODD professionals;
- Organization of all KPMG workpapers and outputs as required per KPMG's internal risk management procedures for engagements of this nature.

We believe Hannah is highly qualified for this important role and is the most cost efficient approach for meeting LACERA's objectives and KPMG's quality standards on all of our engagements.

We have provided the detail résumés of our core team in [Appendix A](#).

Short biography

Team member	Roles and responsibilities
 <p>Larry Godin <i>Lead Engagement Principal</i></p>	<p>Prior to joining KPMG in 2016, Larry spent more than 20 years in the financial services industry focusing on legal, risk and compliance issues in the asset management space. He has held such positions as chief legal officer for asset management, senior counsel and general counsel at large institutional asset management firms and dually registered broker-dealer at investment advisory firms.</p>
 <p>Mark F. McKeever <i>Lead Engagement Director</i></p>	<p>Mark is a director with more than 20 years of financial services experience including service as a senior securities compliance examiner with the SEC. His areas of concentration include a deep knowledge of the U.S. federal securities laws and regulations and their practical applications across various business models within the public investment management, wealth management, and alternative investment industry sectors. As a recognized leader in the practice, Mark runs engagements for major investment management firms in areas of operational due diligence, pricing and valuation governance, compliance program development, internal audit support, and fund operations and risk management. He has performed enterprise-wide regulatory risk assessment and compliance reviews of large SEC-registered investment advisers, which included performing gap analysis, making recommendations for control enhancements and efficiency gains, and lastly assisting with the successful implementation and integration of an enhanced control environment and risk assessment process.</p>
 <p>Bridghet Donato <i>Engagement Director</i></p>	<p>Bridghet is a director with 20 years of financial services experience with specialization in asset management, compliance, and insurance. Her areas of concentration include a deep knowledge of the U.S. federal securities laws and regulations and their practical applications across mutual fund complexes, investment advisers, trading operations, and treasury functions. Bridghet has served in numerous senior compliance officer roles for investment management firms responsible for areas of operational due diligence, pricing and valuation governance, compliance program development, board reporting, fund operations, and risk management. She has performed enterprise-wide regulatory risk assessments and compliance reviews of large mutual fund complexes, which included performing annual compliance program reviews, ongoing compliance monitoring, and testing.</p>

Team member	Roles and responsibilities
 <p data-bbox="261 478 477 569">Katherine C. Kim <i>Engagement Manager</i></p>	<p data-bbox="513 264 1419 579">Katherine is a manager in KPMG Advisory, Financial Services, Regulatory & Compliance Risk practice with more than 15 years in the financial investment management and capital markets. Katherine has focused on the development, implementation, and testing of compliance programs; the assessment of enterprise risk management frameworks and standards; and providing compliance advisory support. Additionally, Katherine has performed risk-based operational due diligence of third-party investment managers and subadvisers covering a broad range of strategies including private equity, real estate, long/short equity, fixed income, credit liability-driven investing, and register funds.</p>
 <p data-bbox="282 842 456 905">Hannah Deits <i>Associate</i></p>	<p data-bbox="513 621 1403 772">Hannah is an associate in the Financial Services, Regulatory & Compliance Risk practice. She graduated from Belmont University with a BBA degree in economics, with a focus in behavioral economics. After graduation, Hannah worked as an associate for the financial arm of an international construction company before joining KPMG.</p>

b) Provide a schedule of audit and consulting services completed by your firm within the last (5) five years for each of the areas listed in this RFP your firm will submit a proposal. Please indicate the size of investment portfolios reviewed and describe the nature of compliance reviews or consulting reviews performed. Provide an example of an audit report similar to the services requested in this RFP.

KPMG firms work with a number of clients including fund distribution platforms, private wealth managers, family offices, pension schemes, and sovereign wealth funds. We have worked in both an outsourced capacity and alongside our firms’ client’s in-house specialists. The case studies below highlight some of our experience, and we would welcome the opportunity to explore how we can assist you.

Global Investment Bank—Structured Credit Division



Client issue

Our firm’s client, the structured credit division of a global investment bank, was looking to promote third-party credit-structured funds managed by external third-party managers. The bank had concerns over reputational risk following the collapse of Lehman Brothers and the high-profile fraud case involving Madoff.

KPMG services

KPMG in the U.K. assisted with the development of a set of agreed due diligence procedures to be applied to a number of third-party managers and proposed funds. Such procedures included:

- Desktop review of general information
- Desktop analysis over the financial stability of the target managers
- On-site review of risk management arrangements and specific walk-through procedures of key operational processes and controls.

As part of our work, we agreed a set of performance benchmarks against which we assessed the arrangements in place at each manager/fund. The procedures were consistently applied across a range of UK and European managers and their related funds. Types of funds included hedge funds, infrastructure funds, structured credit and distressed debt funds. The results were then reported to the bank for each manager/fund.

Benefits

By establishing a set of performance benchmarks, the bank was able to objectively assess whether there was any excessive reputational risk resulting from their commercial relationship with each manager. The results of the ODD reviews enabled the bank to satisfy its own risk management and assessment procedures concerning the appointment of third parties.

U.S. Pension Fund



Client issue

Our client, a U.S. pension fund, was enhancing its existing investment platform and associated investment strategy to move toward “direct” investments in private funds (hedge funds, private equity funds, real estate funds, and infrastructure funds) and away from “indirect” investments through fund of funds. As part of this evolution, our client’s audit committee requested an industry point of view on the content and structure of its current ODD program. In addition, our client was interested in how it would need to evolve its current ODD program to respond to the increased complexity of direct private fund investing (the “readiness assessment”).

KPMG services

KPMG assisted our client’s audit committee, CFO, and chief investment officer (CIO) by providing an ODD program framework for their consideration. Our client requested that KPMG conduct ODD on new hedge fund managers where our client was allocating direct investment capital. KPMG implemented our ODD program (including proprietary assessment and verification procedures with respect to third-party service providers) and provided reports of findings to the audit committee, CFO, and CIO. In addition, our client participated in on-site fieldwork with KPMG subject matter professionals to facilitate knowledge sharing.

Benefits

Through the implementation of an enhanced ODD program, our client is well positioned to accelerate the repositioning of the current portfolio, emphasizing direct investments.

Additionally, our Asset Management Regulatory & Operational Risk practice has extensive relationships and experience working with all types of asset managers and is well positioned to assess the quality of LACERA’s ODD program across all manager types. Below is a summary of the depth of our experience:

Public and Private Pension Plan Investment Offices

KPMG performed compliance program assessments of a public pension plan investment office that manages over \$300 billion in assets under management (AUM) that included the following:

- Gap analysis of the firm’s readiness to withstand SEC examination scrutiny in the specified scope areas; although not an SEC-registered entity, many of the investment activities conducted by the pension plan sponsor were SEC-regulated activities
- Assessment of existing policies, procedures and processes that were designed to protect against the misuse of material nonpublic information (MNPI) (e.g., Insider Trading Policy, Personal Trading Regulation, and Restricted Trading List Procedures)
- For each policy, procedure and process, provided: (i) guidance with respect to industry-leading practices and (ii) specific recommendations based, among other things, on the legal and regulatory framework governing its particular business strategies and practices

- Provided specific recommendations with respect to the use of a restricted securities list

Mutual Fund Managers

Client retained KPMG in response to an SEC order that required the company to retain an independent third party to perform a compliance program review and assessment. The assessment focused on the activities relating to the governance and supervisory framework of the company's investment advisory activities and mutual fund operations and included:

- Compliance program and supervisory model
- Board and committee structure and processes (including fund governance)
- Reviews of compliance policies and procedures and their alignment with the relevant rules and regulations
- Monitoring and evaluation of conflicts of interest
- Portfolio management processes
- Enterprise Risk Management program

Private Equity Fund Managers

Performed multiple fund expense allocation gap assessments and control reviews of major private equity fund complexes:

- Led an internal audit cosource project of the expense allocation process, assisting the firm draft a comprehensive expense allocation policy that detailed the allocation methodologies used for each fund expense category
- Developed a list of recommendations for remediation of various gaps and inequities identified in the fund's expense allocation methodology related to the handling of broken deal expenses, affiliated consulting fees, travel related expenses, technology costs, and public relations fees
- Assisted with the drafting of expense allocation policies and procedures
- Recommended a more fair and equitable allocation process by suggesting certain investment vehicles be included in the list of participating entities sharing in certain types of expenses when appropriate

Hedge Fund Managers

Conducted reviews of enterprise-wide compliance programs and SEC examination readiness of various alternative investment firms managing private funds, which included:

- Mapping of rules, regulations and laws
- Risk assessment of the investment management operations in order to determine the "inherent" regulatory risk rating associated with each business activity;
- A gap analysis of the supervisory and compliance controls applicable to each business activity identified, which included related policies, procedures, and controls
- Analysis of the roles and responsibilities related to the supervisory and compliance programs associated with each applicable business

5. Assigned professionals

The proposal must state the name of the lead consultant and all other professional staff expected to be assigned to LACERA work, including a detailed profile of each person's background and relevant individual experience and the ability of the professionals collectively to function together as a team and also to work effectively with LACERA's Audit Committee and staff in performing the scope of services.

LACERA values diversity, equity, and inclusion ("DEI"), and believes that effectively accessing and managing diverse talent leads to improved outcomes. LACERA takes a broad view of diversity, inclusive of varied backgrounds including, but not limited to, age, experience, race, ethnicity, sexual orientation, gender, gender identity, disability status, national origin, and culture. LACERA expects its business partners to respect and reflect LACERA's value of DEI.

With respect to diversity, the response must include:

- Description of diversity policies, practices, and procedures maintained by the firm regarding equal employment opportunity, including the recruitment, development, retention, and promotion of a diverse and inclusive workforce, non-discrimination based on gender, race, ethnicity, sexual orientation, age, disability status, veteran's status, and other legally protected categories, and prohibition of sexual harassment in the workplace. If the respondent has written policies, a copy should be provided with the response to this RFP.

DEI provided attached docs to address



Equal Employment
Opportunity_KPMG.



KPMG_Commitment
to DEI_v2.pdf

- The oversight, monitoring, and other compliance processes for implementation and enforcement of the firm's diversity policies, practices, and procedures, including the name of the individual who is responsible for oversight of the firm's method to measure the effectiveness of the policies, and conclusions as to effectiveness.

See above, DEI provided attached docs to address.

Any judicial, regulatory, or other legal finding, formal action, or claims related to equal employment opportunity, workplace discrimination, or sexual harassment during the past ten (10) years.

KPMG LLP (KPMG or firm) is an equal opportunity employer and is committed to a diverse workplace that is free from discrimination. The firm also is committed to treating all employees with respect and dignity. Diversity and inclusion are, and have long been, top priorities for the firm, and are woven into our culture and everything we do. To the best of our knowledge, KPMG is in compliance with all applicable employment laws relating to discrimination, harassment, and equal opportunity in the past 10 years. We have no pending labor or employment law matters that would materially affect the firm’s operations or our ability to perform services for you.

KPMG incorporates multiple components to develop a comprehensive DEI approach

Current-State Assessment

Understand current organizational DEI capabilities, and identify opportunities and gaps.

Corporate Social Responsibility

Ensure the organization has measures in place holding them socially accountable to its workforce and other stakeholders.

Brand and Reputation

Respond to negative press by making efforts to improve the organization’s reputation within the market and among the labour force.

Capability Development

Support the development of learning curricula to create an inclusive culture that understands how bias and behavior impact the workplace.

DEI Strategy

Define what DEI means to the organization in the long-term, and design a roadmap of initiatives that will support long-term ambitions



Talent Management & Succession Planning

Embed DEI principles into talent processes to attract people from a wider talent pool, fill skills gaps, and reduce turnover.

Financial Impact and Shareholder Value

Quantify the potential financial benefits of a strong DEI program as a way of “making a business case” for DEI investment and focus.

Health & Wellness

Analyze connections between employee health and wellness and organizational success. Identify inclusive initiatives that can have positive impacts on productivity, collaboration, and morale.

Metrics/Data

Gain a clear understanding of DEI progress on an individual and organizational level. Identify which DEI initiatives are driving the most opportunity across the business or hindering success.

KPMG believes an organization's diversity, equity, and inclusion strategy originates within the company walls and translates to the community.



Setting The Strategy



Engaging Your Workforce



Enhancing How We Work Together



Building Your Brand In The Marketplace

<ul style="list-style-type: none"> Board Composition Wide-Ranging Maturity & Culture Assessments Strategy & Governance Executive Engagement Measurement & Analytics Comparative Benchmarking Shareholder Value Product Portfolio Strategy Strategic View 	<ul style="list-style-type: none"> Performance Management Learning & Development Mentorship & Sponsorship Succession Planning Employee Experience Competency & Skills 	<ul style="list-style-type: none"> Culture of Inclusion DEI Business Strategy Management Business Employee Resource Groups DEI Councils DEI Strategy Communications 	<ul style="list-style-type: none"> Talent Attraction & Rewards Corporate Communications Community Impact Sponsorships & Affiliations Supplier Diversity SEC Disclosures
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6. Client references

The Proposer shall provide three clients for whom it has provided investments-related audit/consulting services relating to ODD in the past five (5) years. For each client reference listed, please include:

- Entity name, address, and key contact person
- Date of service(s)
- Nature of business
- Fund asset size and annual revenue
- Primary contact name, title, telephone number, and email address
- Nature and length of Proposer’s relationship with said entity
- Description of services provided by Proposer

Perhaps one of the leading indicators of our success as a professional services provider is the clients we serve and what these companies’ perspectives are related to their experience with us. We welcome LACERA to contact our references to discuss the services provided by KPMG and the level of quality account service experienced throughout the many years of serving these organizations. To make efficient use of your time, we would be happy to set up a call with any one of these references and we encourage you to obtain their thoughts on our industry knowledge, interactive approach, and overall level of professionalism.

Reference -1

Entity name, address, and key contact person	AllianceBernstein
Date of service(s)	2012–2022
Nature of business	Asset Management
Fund asset size and annual revenue	\$700 Billion in AUM
Number of plan or program members	N/A
Primary contact name, title, telephone number, and email address	Vince Noto, Chief Compliance Officer vince.noto@alliancebernstein.com
Nature and length of Proposer’s relationship with said entity	10 years
Description of services provided by Proposer	KPMG performed a review of the asset management compliance and ethics oversight infrastructure program (Compliance Program) of AB pursuant to a

	<p>certain Securities and Exchange Commission (SEC) Amended Administrative Order dated January 15, 2004 (the Amended Order). Consistent with the Amended Order, the KPMG review has two objectives: (1) to assess whether the current AB Compliance Program is consistent with the requirements set forth in Part IV, Paragraph B of the Amended Order, and (2) to assess the current AB supervisory, compliance, and other policies and procedures designed to prevent and detect breaches of fiduciary duty, breaches of the code of ethics, and federal securities law violations by AB and its employees in connection with their duties and activities on behalf of and related to the AB mutual funds as required under Part IV, Paragraph E of the Amended Order against the KPMG understanding of SEC regulatory requirements and industry leading practices.</p> <p>A special focus to the Compliance Program assessment will be in areas deemed a high priority to the SEC Examination Staff and/or the Division of Investment Management:</p> <ul style="list-style-type: none"> i. Investment Guidelines Compliance ii. Operational Due Diligence iii. Cybersecurity iv. Business continuity v. Certain mutual fund distribution and subaccounting practices related to the results of the SEC's "Distribution in Guise" examination sweep
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Reference -2

Entity name, address, and key contact person	California State Teachers' Retirement System 100 Waterfront Place, West Sacramento, CA 95605
Date of service(s)	2019–2020
Nature of business	State Pension Plan Investment Office
Fund asset size and annual revenue	\$300 Billion in AUM
Number of plan or program members	N/A
Primary contact name, title, telephone number, and email address	Larry Jensen, Chief Auditor LJensen@calstrs.com
Nature and length of Proposer's relationship with said entity	3 years
Description of services provided by Proposer	<p>KPMG assisted the client in executing the Global Equity Investments audit, as part of their Internal Audit Plan. The scope and objectives of the audits included a review of internal control design and operating effectiveness relating to Global Equity Investments. In particular, the audit covered the below-noted areas:</p> <ul style="list-style-type: none"> A. Governance B. Broker-Dealer Selection and Monitoring C. Trade Execution

	<p>D. Investment Operations (New Account Set Up, Pricing, Confirmation/Settlement, Position Reconciliation)</p> <p>E. Trading System Compliance (with investment policies)</p> <p>F. External Manager Due Diligence and Oversight</p> <p>G. Transition Management</p> <p>H. Derivatives</p> <p>I. Stock Distributions (for other asset classes)</p> <p>J. Investment Compliance (Guidelines)</p> <p>K. Investment Accounting</p> <p>L. Reporting</p>
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Reference -3

Entity name, address, and key contact person	Centerbridge Partners, L.P. 375 Park Avenue, 11th Floor, New York, NY 10152-0002
Date of service(s)	2018–2019
Nature of business	Private Sector Asset Manager (Structured debt, Real Estate, Private Equity)
Fund asset size and annual revenue	\$20 billion AUM
Number of plan or program members	N/A
Primary contact name, title, telephone number, and email address	Susanne Clark, General Counsel sclark@centerbridge.com
Nature and length of Proposer's relationship with said entity	4 years
Description of services provided by Proposer	<p>KPMG work was performed under strict confidentiality terms, which included performing a targeted risk and compliance program assessment of certain "Targeted Focus Areas" such as:</p> <ol style="list-style-type: none"> 1) Fair and equitable allocations of investment opportunities 2) Valuation of fund assets 3) Handling of MNPI 4) Risk and Conflicts Matrix 5) Safeguarding of client assets

7. Project planning/Approach

Describe the specific methodology and services necessary to accomplish the scope of work set forth in this RFP for LACERA.

How KPMG can help you

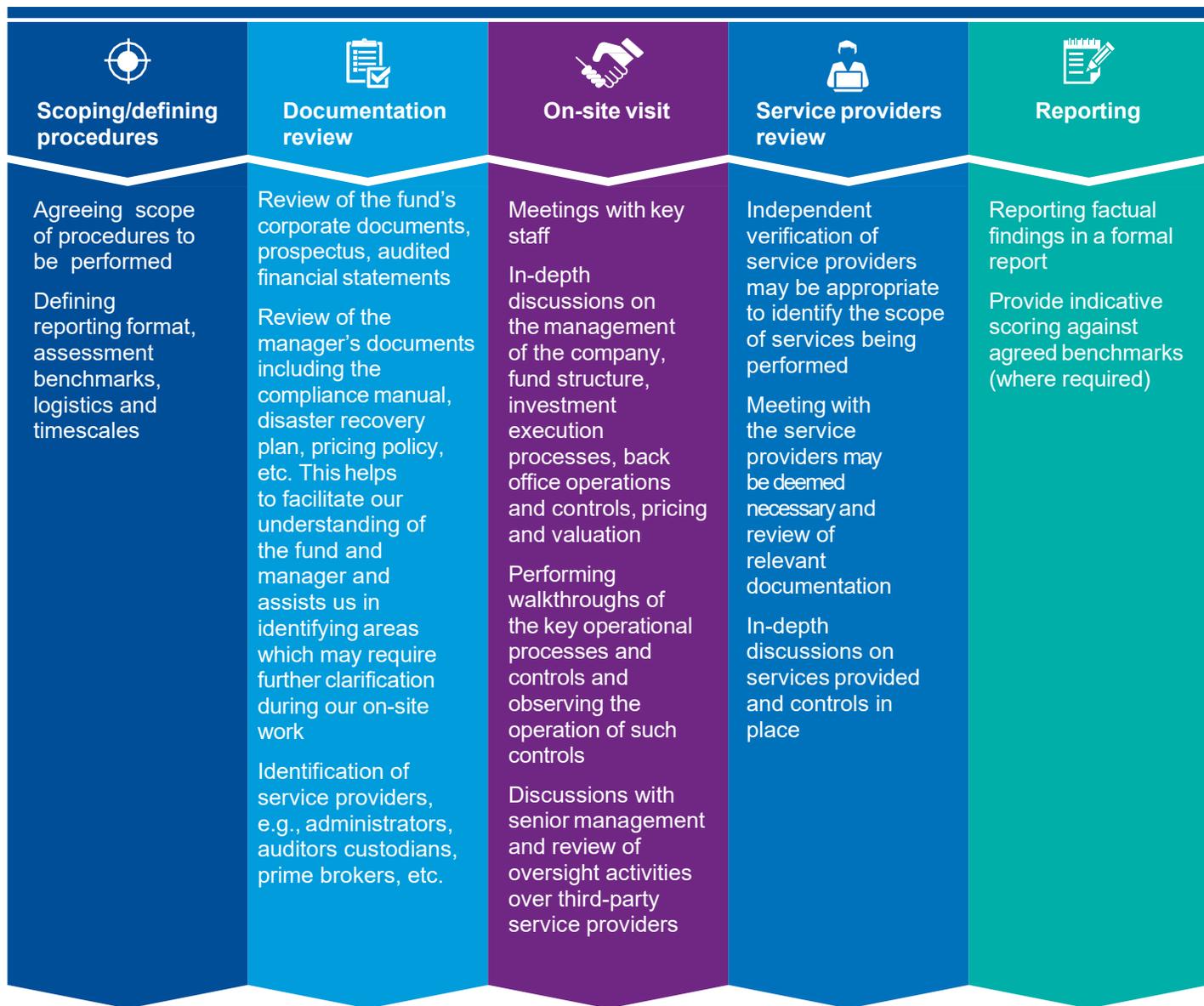
ODD over investment managers has never been more critical. Investment managers are facing an increasing amount of regulatory scrutiny on top of recent volatile market conditions during an inflationary economic outlook. Adding in other factors such as dealing with compliance with a comprehensive set of new and emerging regulations in both the public and private funds space. All of these challenges while investors' search for the alpha generating operationally sound investment managers becomes increasingly difficult. KPMG ODD specialists have extensive experience in conducting operational due diligence procedures over a broad range of strategies, including hedge fund, infrastructure, private equity, and traditional asset managers. Our global network of ODD specialists and local subject matter specialists challenge and assess key aspects of the target manager. These aspects include tone at the top, compliance culture, operational risk management and conflicts of interest. We conduct a tailored set of due diligence procedures to answer the questions that matter most to member firm clients.

Overview of the KPMG ODD approach

An approach tailored to your needs

KPMG has provided advice and assistance on ODD to a variety of clients across the financial services industry including banks, fund distributors, pension funds, other institutional investors and sovereign wealth funds. Our approach can be specifically tailored according to the needs of each client's circumstances. We help clients in a variety of ways—the key stages of our approach are summarized below and illustrated in the case studies that follow. Our overall aim is to adopt a highly collaborative approach, drawing on both our deep industry experience as well as insights gained from our significant due diligence work.

Key to the success of any ODD governance framework is agreeing on the scope and depth of procedures to be performed from the outset, establishing the performance benchmarks for assessment, and agreeing the format of reporting. An essential element of a sound ODD framework is the on-site visit to third-party managers, including interviews with key staff and the inspection of evidence to support key operational processes.



Key areas of coverage

Just as investment managers and funds vary in size, complexity, and strategy, no two ODD reviews are the same. While a tailored approach to designing specific procedures is appropriate, the following overarching focus areas, at a minimum, should be evident in an ODD governance framework.

Intrinsic to our approach is a focus on how ODD programs address the following:

- Assessing conflicts of interest within the manager along with their processes designed to mitigate, and continuously monitor, existing and emerging conflicts of interest
- Gauging the firm’s “tone at the top” and “culture of compliance”
- Understanding the firm’s approach to operational risk management
- Ultimately, challenging the manager to demonstrate that client’s/investor’s interests come first.



General Information

- Review of legal structure and ownership
- Review of fee arrangements
- Establish legal domicile of fund
- Review of terms and conditions
- Review of redemption policies



Third party providers

- Confirm identity of third parties
- Management’s oversight/monitoring of key service providers:
 - Administrators
 - Custodians
 - Prime brokers
 - Auditors
- Monitoring of other service providers

Financial stability



- Review of audited financial statements
- Review of cash flow information
- Performing financial ratio analysis against agreed benchmarks

People



- Identify key personnel and directors (including background checks)
- Remuneration



Trading and operations

- Trading process and procedures
- Operational processes and procedures



Risk and compliance

- Operational Risk Management framework
- Compliance arrangements
- Internal controls over key operational processes
- Personal trading and insider dealing policies and procedures
- Valuation policy and responsibility
- Review policies and procedures over:
 - Complaints management
 - Conflict of interest
 - Insider dealing
 - Internal fraud
 - Trading errors



IT infrastructure

- IT Infrastructure and Disaster Recovery
- Business continuity

Proposed approach and methodology

Phase I: ODD Framework Current State Assessment

Objective: Gain an understanding of LACERA’s current-state ODD Framework and related operational risk factors deployed considering the scope and inherent risk profiles of LACERA’s external manager population. This includes a review of the pre and post (ongoing) investment ODD processes in place.

Key Activities:

- **LACERA Investment Office Overview:** Gain an understanding of the organizational structure, roles, and responsibilities supporting the activities of the Investment Office across portfolio management, operations, risk management, and compliance. This would include organization charts, various metrics

such as assets under management (AUM) across the manager population, breakdown between public market and private market managers, LACERA's investment philosophy, asset allocation strategy, portfolio construction (manager selection), ESG strategy, fee structures, etc. These activities will consist of reviews of relevant and available documentation and initial broad-level interviews with key stakeholders in the aforementioned focus areas.

- **Documentation review:** Obtain and review relevant documentation related to LACERA's current ODD framework: governance framework, policies and procedures, scope of operational risk factors, process flows, use of third-party vendors, management reporting, example ODD reporting, etc.
- **Initial walkthrough interviews:** Conduct a series of walk through process and control interviews deemed appropriate by KPMG and mutually agreed upon, with key stakeholders to perform a deeper dive into the pre and post investment ODD processes.
- **Pre-investment ODD assessment:** By performing the above mentioned document reviews and interview sessions, gain an initial understanding of the initial manager selection process and intersections between the investment due diligence (IDD) activities and ODD activities and the decision-making process.
- **Post-investment ODD assessment:** By performing the above mentioned document reviews and interview sessions, gain an initial understanding of the ongoing ODD processes such as but not limited to inherent and residual risk scoring, frequency of reviews, depth of reviews, red flag criteria, issues tracking, remediation, and manager termination protocols.
- **Project Management Framework for the project:** (Project plan, Status reporting, communication protocols, roles and responsibilities, etc.)

Phase I Deliverables:

- Project management framework with detailed project plan with key milestones and target dates, progress reporting, issues tracking, roles and responsibilities, etc.
- Detailed matrix documenting the inventory of key ODD activities, risk assessments, governance, control, and reporting processes in place
- Summary of any preliminary gaps and redundancies identified and enhancement recommendations

Phase II: Gap analysis

Objective: Perform a deep dive gap analysis of the current state of the ODD framework against our understanding of leading industry practices and LACERA Investment Office's ODD Working Group action plans outlined in a report dated 10/22/2020 "Operational Due Diligence – Deep Dive Assessment" ("LACERA's ODD Deep Dive Report"), the goal being to identify opportunities for ODD improvements and alignment with leading industry practices. Assess process design, roles and responsibilities, and overall framework design and metrics reporting.

Key Activities:

- Based on the information gathered in phase I along with the detailed assessment matrix developed, perform a detailed gap analysis of the pre and post investment ODD processes in place against our understandings of leading industry practices of organizations similarly situated as LACERA, and against the results and actions plans outlined in LACERA's ODD Deep Dive Report.
- During this phase, follow-up clarification interviews and documentation requests may be necessary to confirm understandings to validate observations and recommendations.
- Vetting sessions with LACERA stakeholders will be conducted to validate findings of the gap assessment.
- During the deep dive assessment, KPMG will select risk based representative samples of ODD materials created by LACERA internally and by third party vendors for various public and private

sector managers in order to gain insight into the operating effectiveness of the current ODD framework and against leading industry practices.

Example of seeking the following opportunities during the gap analysis:

- Identify gaps, make recommendations to assist LACERA in strengthening its current ODD processes and controls so that there is a systematic and efficient approach to improving adherence to LACERA’s mission of protecting trust assets and optimizing the goal of optimizing risk adjusted returns.

Phase II Deliverables:

- Completion of the ODD assessment Matrix with results from phases I and II.
- Summaries of gaps and recommendations

Phase III: Final Report:

Objective: Finalization of phases I–II deliverables through a series of workshop review sessions with key stakeholders

- Throughout the project phases, KPMG will provide draft deliverables and conduct feedback sessions on each deliverable as needed.
- Formal weekly progress reporting meetings will be conducted with KPMG engagement leadership to provide updates and present draft deliverables.
- All deliverables outlined in phases I–II will be fully vetted with the LACERA and submitted for their approval.
- Final Report detailing scope, approach, procedures performed, and observations and recommendations.
- PowerPoint deck summary overview of observations and recommendations for presentation to the board.
- A summary of lessons learned and recommended next steps will be documented and provided.

Project Management Discipline

KPMG will leverage its deep project management and industry experience to design and establish a disciplined approach to monitoring key performance indicators (KPIs) for the LACERA Investment ODD Review. Our extensive experience working with global firms and executing large-scale assessments and review initiatives helps enable KPMG to efficiently apply the appropriate disciplines and rigor without introducing burdensome and over-built governance routines.

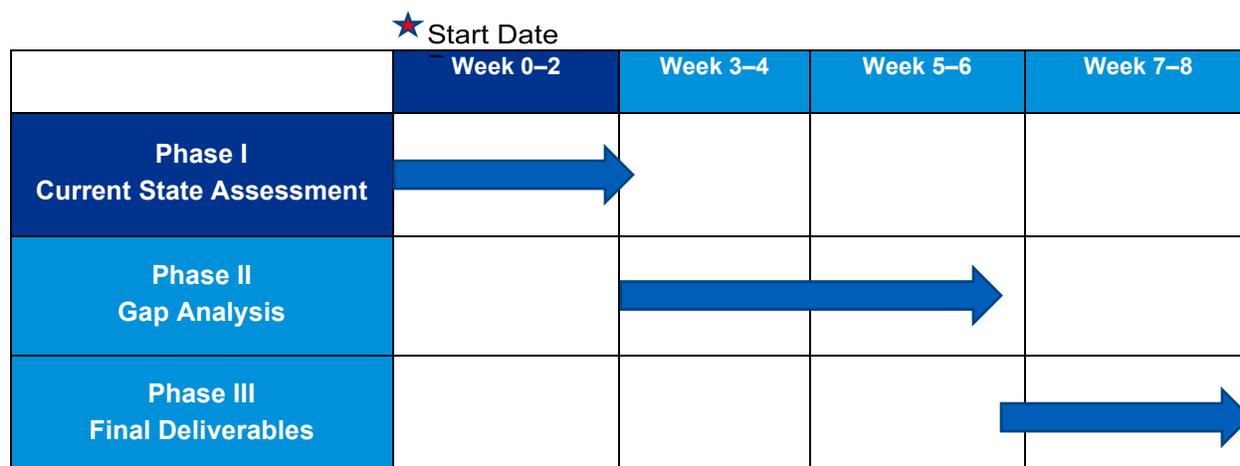


Project Schedule

Considering the proposed approach and the estimated timeframe of approximately 8 weeks as discussed with LACERA during oral presentation on July 14, KPMG is ready to perform the requested activities as outlined in the below timeline upon a mutual agreed-upon timeline that works for LACERA.

Week 0: This week is critical to the project success in allowing KPMG access to start gathering existing ODD framework materials and manager data, identifying and finalizing stakeholder list, developing kickoff meeting, and providing support to scheduling kickoff and interviews.

*Note: Timeline may be adjusted due to the finalization of contract agreements.



8. Sample reports

Submit sample reports performing similar services to the scope in this RFP.

The below are example reports from two perspectives: a.) A specific manager ODD report b.) an overall assessment of an ODD program broadly.

- a) Below is a sample ODD Report of an external manager that is an example of a core end deliverables of KPMG ODD services:



ODD Report_with
red flags.pdf

- b) Below is an example of a report template that is designed to be the final report deliverable for an assessment of an ODD program assessment for firms similarly situated as LACERA's investment office:



Sample ODD
Program Assessment

KPMG recognizes the unique risks and objectives of our clients; therefore, while we have project accelerators and templates to begin work efficiently on this type of project, we tailor our end deliverables and assessments to each client.

9. Potential conflict

a) Describe in detail any potential conflicts of interest related to any other client relationships if awarded the LACERA engagement.

To the best of our knowledge, we are currently unaware of any conflicts of interest related to any other client relationships if awarded the LACERA engagement.

b) Describe any potential conflicts of interest with the proposed Engagement Director and/or Engagement Manager relative to the LACERA engagement.

To the best of our knowledge, we are currently unaware of any conflicts of interest related to the proposed Engagement Director and/or Engagement Manager relative to the LACERA engagement.

c) List any perceived conflict of interest issues you anticipate if your firm is awarded this LACERA engagement.

To the best of our knowledge, we are currently unaware of any potential conflicts or issues that would impair our independence and objectivity in performing this engagement.

d) Provide details of any other affiliates offering services to LACERA that could represent conflicts of interest. Briefly describe your firm's policies and procedures for doing business with these affiliates, while safeguarding against conflicts of interest.

We use Sentinel, our independence monitoring system, to identify and manage potential independence issues and conflicts of interest within and across the KPMG global organization of independent firms. When a potential conflict of interest is identified, your lead partner, Laurence Godin, may consult with a member of the KPMG Independence, Risk Management, or Office of General Counsel groups, as needed, to determine how to resolve the potential conflict after appropriate consultations and the resolution of all matters is documented.

Once the engagement is accepted, it may be necessary to establish "ethical dividers" with respect to the professionals assigned and to communicate with appropriate parties. If a potential independence issue or conflict cannot be satisfactorily resolved in accordance with professional and firm standards, the prospective engagement will be declined.

e) Describe any known relationship your Firm or any staff have with any member of LACERA's Boards, management, staff, or plan sponsors (including, but not limited to, Los Angeles County).

To the best of our knowledge, we are not currently aware of any relationships that exist between our staff and directors, officers, or key employees of LACERA that would pose a conflict or impair our objectivity or independence.

f) Describe the purpose and monetary value of any gifts, travel, expenses, entertainment, or meals given to any member of the LACERA Boards, management, or staff in the last two (2) years.

To the best of our knowledge KPMG has not paid for any gifts, travel, expenses, entertainment, or meals for any member of the LACERA Boards, to include the Board of Retirement and Board of Investments, within the last 2 years. We are unable to make a certification regarding LACERA management and employees as we do not have access to a list of all LACERA management and employees.

g) Describe your firm's approach to resolving potential conflict issues that may be encountered during the performance of audit or consulting services for LACERA and any special assistance that will be requested from LACERA.

The KPMG independence policies require that the firm, its partners, and certain other professionals be free from financial interests in and prohibited relationships with the entities we provide service and their affiliates, management, directors and significant owners. The firm requires adherence to applicable independence requirements and ethical standards, which meet or exceed the standards promulgated by the PCAOB, SEC, AICPA, Government Accountability Office (GAO) and other applicable regulatory bodies. These policies and procedures, which cover areas such as personal independence, postemployment, business, financial, and vending relationships, partner rotation of certain engagement personnel, and approval of audit and nonaudit services, are monitored continuously.

KPMG independence technology tools

Service Independence

KPMG International's proprietary system, Sentinel, facilitates compliance with the firm's policies related to the provision of services and is also used to identify and manage potential conflicts of interest within and across the KPMG global organization of independent firms. Engagement partners and professionals are required to maintain organizational structures for the entities we audit in the system

For SEC-registered and certain nonpublic entities for whom we provide service, the applicable Lead Engagement Partner reviews and approves or denies any proposed service upon receipt of the Sentinel notification. For engagements subject to GAO standards, the firm also requires approval by the Lead Engagement Partner before commencement of nonaudit services.

Investment independence

KPMG monitors compliance with its independence policies for financial interests through the KPMG independence compliance system (called KICS), as well as through a compliance audit process; this compliance audit process also exists for engagements. KICS contains an inventory of SEC registrants and other entities that require us to be independent and the securities they have issued; these entities are marked "restricted" in KICS. Before purchasing a security, securing a loan, or initiating another financial relationship, our partners, managing directors and certain managers are required to use KICS to determine if the entity is restricted. Additionally, personal investments, including mandatory broker imports, are required to be reported in KICS, which automatically notifies professionals if an investment becomes "restricted."

Each professional is ultimately responsible for maintaining their personal independence. In addition to our policies prohibiting any firm partner or employee from trading on inside information, our partners, managing directors, managers and those providing professional services to an entity we audit may not have direct or material indirect investments in an entity we audit or its affiliates (collectively, restricted entities), regardless of whether they are in possession of inside information about such entities. Certain other financial relationships with restricted entities we audit (e.g., loans, credit cards, insurance products, and brokerage accounts) may be prohibited or subject to limitations. Close family members of certain

KPMG partners, managing directors and employees may not hold accounting or financial reporting roles with restricted entities we audit.

Compliance with rules

KPMG has established processes to communicate independence policies and procedures to our personnel. Among other things, the firm requires all professionals to complete independence training every year and affirm their independence using an electronic confirmation system. This confirmation is completed upon commencement of employment at the firm, every year thereafter and at key promotions.

To confirm our professionals' and the firm's independence, in fiscal year 2018, the firm audited the financial relationships of more than 1,200 individuals subject to the independence requirements. Failures to comply with the firm's independence policies are referred to a panel of specified members of leadership for review, remediation, and disciplinary actions, helping to enable consistent resolution.

Business relationship independence

Our firm has policies and procedures in place that are designed to help certify that business and supplier relationships are identified, assessed, and maintained in accordance with applicable independence standards. Compliance with these policies and procedures is monitored by the Independence Group.

Conflicts and independence clearance

Engagement teams proposing to perform a new audit engagement are required to perform a series of procedures, including a review of any nonaudit services provided to the potential entity to be audited. The Sentinel system is used to identify and manage potential independence issues and conflicts of interest within and across member firms in the KPMG International network. When a potential conflict of interest is identified, the lead partner may consult with a member of Risk Management to determine how to resolve the potential conflict after appropriate consultations, if needed, with the Office of General Counsel, and the resolution of all matters is documented. Resolution of potential conflicts requires approval from someone outside the audit engagement team, which could include the professional practice partner, Sentinel conflicts resolver or the functional risk management group, before signing the initial audit engagement letter.

If the engagement is accepted, it may be necessary to establish "ethical dividers" with respect to the professionals assigned and to communicate with appropriate parties. If a potential independence issue or conflict cannot be resolved satisfactorily, in accordance with professional and firm standards, the prospective entity or engagement is declined.

10. Legal situations

a) Describe the circumstances and status of any investigation, non-routine examination, complaint, disciplinary action, or other proceeding against your firm or any officer or principal of your firm commenced by any state or federal regulatory body or professional organization during the past five (5) years.

On June 17, 2019, the Securities and Exchange Commission (SEC) issued an order (the SEC Order) instituting public administrative and cease and desist proceedings against KPMG LLP (KPMG or firm), based on misconduct by certain personnel. The SEC Order censured KPMG for a violation of Public Company Accounting Oversight Board (PCAOB) Rule 3500T and other standards. Rule 3500T requires KPMG and associated persons to comply with ethics standards mandated by the American Institute of Certified Public Accountants. The SEC Order ordered the firm to cease and desist from committing or causing any future violations of PCAOB Rule 3500T, and imposed a \$50 million civil money penalty and remedial sanctions upon the firm. The remedial sanctions obligate the firm to take certain actions, including a comprehensive review of the firm's ethics and integrity policies and processes. That policy review was evaluated by an independent, third-party consultant that KPMG retained. KPMG reported the completion of its review to the SEC, and the independent consultant reported to the SEC the completion of its review, which is nonpublic.

The SEC Order resolves two matters involving the firm. The first relates to inappropriate access to PCAOB inspections information by a handful of former KPMG personnel. When the firm's leadership became aware of this misconduct, the matter immediately was reported to the KPMG regulators. The firm retained outside counsel to conduct an investigation, and the responsible individuals were separated from the firm. The second relates to training exams and arose in late 2018. Some KPMG professionals shared the answers to open-book tests that were administered in connection with internal, firm-sponsored training. In the context of investigating the training exams, KPMG discovered that prior to 2016 certain individuals also had manipulated the hyperlink associated with the training exams in order to ensure passing scores. KPMG immediately reported this misconduct to its regulators, and, in addition, the KPMG Board of Directors established a Special Committee to oversee the investigation conducted by outside counsel. The SEC Order imposed no limitations on the firm's ability to perform services for existing or new clients. In addition, the firm has entered settlements with certain state boards of accountancy in response to the SEC Order described above. These settlements have not limited the firm's or individual personnel's ability to provide services. KPMG is aware of other state board inquiries involving the firm and/or current or former personnel resulting from the SEC Order. These matters have no impact on the firm's or individual personnel's ability to serve commercial or government clients.

b) Describe any situation whereby your firm or any officer or principal of your firm was censured or fined by any regulatory body within the last five (5) years.

Please refer to the response in 10.a

c) Describe any claims or litigation brought against your firm or any officer or principal of your firm by any entity for fraud, malpractice, misrepresentation, negligence, or similar cause of action within the last five (5) years.

As is the case with all major professional services firms, from time to time KPMG LLP and/or individual partners or principals have been named as defendants in lawsuits by regulatory bodies and civil plaintiffs, particularly when one of the firm's clients suffers an economic downturn. Understandably, the details of such litigation are sensitive and highly confidential. KPMG has a professional indemnity insurance program in place to insure against such risks, and we have no pending litigation or litigation commenced in the past 5 years that would materially affect the firm's operations or our ability to perform services for you.

d) Describe each audit engagement with other clients, involving any member of the team that would be assigned to the LACERA, which has been the subject of litigation, arbitration, mediation, or other dispute resolution mechanisms within the past five (5) years. Identify the individual(s) involved, and provide the case name and number, the damages sought, and the outcome.

Please refer to the response provided in 10.c

e) Describe any situation within the last five (5) years, when your firm was notified, by any actuarial consulting or actuarial auditing client, that your firm is in default of its contract, or that conditions exist jeopardizing the continuation of that contract. State the client's name, the year the notice was received, reasons for the notice, and resolutions or current status of the relationship.

KPMG LLP is a national professional services firm and works on thousands of engagements each year across the country. From time to time, KPMG, like other major professional services firms, may receive a question or complaint from a client about the conduct of a particular engagement. KPMG attempts to promptly address and resolve issues with clients so that they do not invoke contractual termination or default clauses. While the firm does not centrally track contract terminations/stop work orders/contract performance problems, KPMG is not aware of any significant issues relating to client contracts in the last five years, or any terminations of those contracts, which would interfere with KPMG ability to successfully perform the services contemplated by this proposal/contract.

11. Fee schedules

KPMG goal in serving LACERA is to generate value and benefits greater than the costs of our advisory services. Our experience with LACERA and other leading companies allows us to help minimize the fees you ultimately pay for advisory services. We believe our pricing is competitive and consistent with the high-quality service you expect from us. Further, long-term business relationships are based upon strong personal relationships, mutual professional respect, and reasonable fees for advisory services.

If you believe that our fees do not reflect the market, we would appreciate that feedback and the opportunity to reevaluate.

Proposed Fee Schedule

KPMG LLP

Resources	Rate per hours
Partner	\$400
Director	\$385
Manager	\$325
Associate	\$250

Position/Hourly Rate	Larry Godin \$400		Mark McKeever \$385		Bridget Donato \$385		Katherine Kim \$325		Hannah Deits \$250		Subtotal	
Engagement Phases	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost
I. Current State Assessment	6	\$2,400	100	\$38,500	20	7,700	120	\$39,000	120	30,000	366	\$117,600
II. Gap Analysis (Deep Dive)	6	\$2,400	100	\$38,500	20	7,700	120	\$39,000	120	30,000	366	\$117,600
III. Final Deliverables	6	\$2,400	70	\$26,950	10	3,850	80	\$26,000	40	10,000	206	\$69,200
Project Fees	18	\$7,200	270	\$103,950	50	\$19,250	320	\$104,000	280	\$70,000	938	\$304,400
Estimated Travel												\$0
Other												\$0
Travel Costs		\$0		\$0		\$0		\$0		\$0	Total	\$304,400

Fee Considerations

- **Out-of-pocket expenses:** All services are anticipated to be performed remotely throughout the project duration. Therefore, travel expenses are not expected to be incurred. However, if travel is deemed necessary and mutually agreed upon, in addition to our professional fees, we expect to be reimbursed for out-of-pocket expenses (mileage, travel, meals, and lodging), which are billed at cost and will not exceed 5 percent of professional fees. We do not bill separately for administrative or overhead costs.
- **Scope:** With respect to ODD reviews of individual managers, KPMG anticipates selecting a limited risk-based sample of managers for review of ODD materials prepared by LACERA and/or its service providers, in addition to interviews with LACERA stakeholders. The scope of these services does not include KPMG originating and executing initial or ongoing ODD reviews on managers directly or interviewing managers directly.

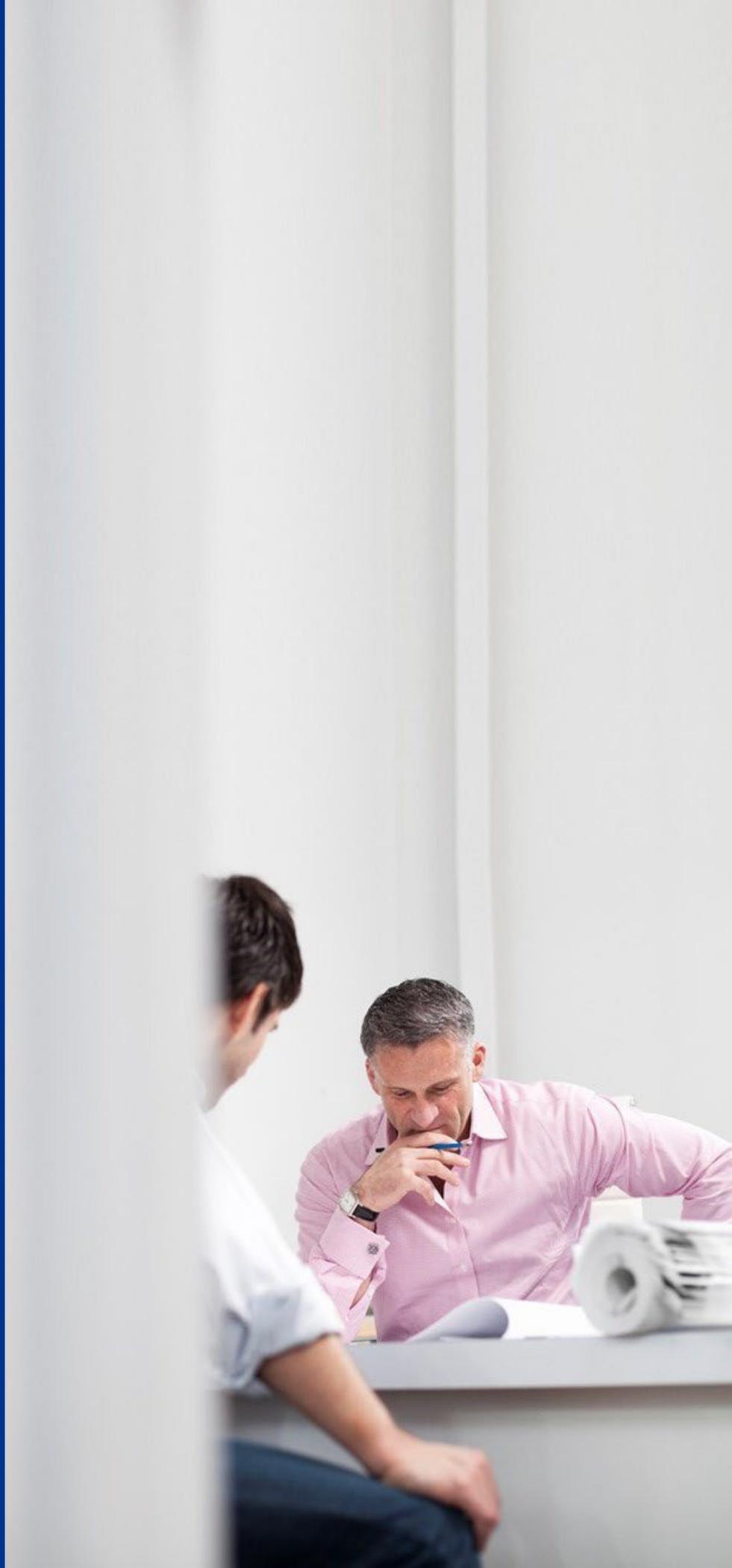
Other Matters

- **Remote working capabilities:** In light of COVID-19 and guidelines relating to social interaction, KPMG will work with the LACERA to make sure we are aligned on expectations if any in-person meetings are deemed necessary. Furthermore, we will assess appropriate virtual meeting tools for this engagement and adapt to changing circumstances, when needed. KPMG technology leads are continuously monitoring our Virtual Meeting Capabilities in response to COVID-19 to support additional requirements as they arise, and increased load limits, as needed.
- KPMG services, as outlined in this proposal, constitute an Advisory engagement conducted under the American Institute of Certified Public Accountants (AICPA) Standards for Consulting Services. Such services are not intended to be an audit, examination, attestation, special report or agreed-upon procedures engagements as those services are defined in AICPA literature applicable to such engagements conducted by independent auditors. Accordingly, these services shall not result in the issuance of a written communication to third parties by KPMG directly reporting on financial data or internal control or expressing a conclusion or any other form of assurance.

Appendices



Appendix A Team résumés





Larry Godin

Principal

KPMG LLP
345 Park Avenue
New York, NY 10154

Tel 212-954-1939
Cell 914-309-8449
lgodin@kpmg.com

Function and specialization

Larry is the national leader of the Investment Management segment of the KPMG Financial Services Regulatory practice.

Representative clients

- Alternative Investment Private Fund Advisers (PE, RE, Hedge)
- Diversified Bank Holding Companies
- Dually Registered BD/RIA
- Mutual Fund Complex

Professional associations

- Member, New York State Bar
- Member, Connecticut State Bar

Education, licenses & certifications

- BA degree, Binghamton University
- JD, degree Albany Law School

Engagement Principal

Background

Prior to joining KPMG in 2016, Larry spent more than 20 years in the financial services industry focusing on legal, risk and compliance issues in the asset management space. He has held such positions as chief legal officer for asset management, senior counsel and general counsel at large institutional asset management firms and dually registered broker-dealer/investment advisory firms. He has worked closely with Compliance in the creation and implementation of asset and wealth management compliance programs. Most recently, Larry was the Head of Governance for a large global wealth management firm where he worked closely with the firm's legal, compliance and risk partners to ensure the proper development and maintenance of its asset management products and services.

Professional and industry experience

- Acted as senior asset management counsel to the institutional asset and wealth management entities of financial services firms.
- Provided advice and counsel related to single strategy funds, fund of funds and private equity funds.
- Advised on the creation and distribution of wrap fee managed account, dual contract, financial planning, mutual fund asset allocation and hedge fund consulting programs.
- Assisted in the development of compliance and conduct policies and procedures for asset and wealth management entities.
- Reviewed investment advisory and mutual fund performance advertising and other client communication to help ensure compliance with applicable securities rules and regulations.
- Assisted with the legal and compliance issues related to the development of private fund seeding programs.
- Provided advice, and assisted in regulatory due diligence, for the potential acquisition of investment management firms, lift outs and joint ventures.
- Regularly advises institutional asset and wealth management firms on the adequacy and reasonableness of their compliance programs and supervisory systems, including policies, procedures, processes and controls to determine compliance with regulatory rules, regulations and industry best practices.
- Assisted institutional asset and wealth management firms in creating a framework to identify high risk processes with their businesses and performed targeted reviews to assess the adequacy of key business and compliance controls.
- Performed targeted compliance reviews related to high risk SEC focus areas for registered investment advisers.



Mark F. McKeever

Director

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Function and specialization

Mark is a director in the Financial Risk Management Advisory practice specializing in investment management regulatory, compliance, and risk management.

Representative clients

- Alternative Investment Private Fund Advisers (PE, RE, Hedge)
- Diversified Bank Holding Companies
- Dually Registered BD/RIA
- Mutual Fund Complex

Professional associations

- Member, American Institute of Certified Public Accountants

Education, licenses & certifications

- BS degree, accounting, Temple University
- BA degree, communication Arts, Villanova University
- MS degree, taxation and finance, Widener University
- PA Licensed CPA (inactive status)

Lead Engagement Director

Background

Mark is a director with more than 20 years of financial services experience including service as a senior securities compliance examiner with the SEC. His areas of concentration include a deep knowledge of the U.S. federal securities laws and regulations and their practical applications across various business models within the public investment management, wealth management, and alternative investment industry sectors. Mark has successfully assisted clients with implementing end-to-end enterprise-wide compliance programs that result in sustainable models for performing ongoing risk assessments, regulatory requirements and controls road-mapping, and ongoing compliance monitoring and effectiveness testing.

Professional and industry experience

Mark has strong knowledge of the Investment Advisors Act of 1940, Investment Company Act of 1940, OCC Reg. 9 and related OCC Handbooks and interpretive guidance, and U.S federal securities laws broadly. As a recognized leader in the practice, Mark runs engagements for major investment management firms in areas of operational due diligence, pricing and valuation governance, compliance program development, internal audit support, and fund operations and risk management. He has performed enterprise wide regulatory risk assessment and compliance reviews of large SEC registered investment advisors which included performing gap analysis, making recommendations for control enhancements and efficiency gains, and lastly assisting with the successful implementation and integration of an enhanced control environment and risk assessment process. His prior experience also includes the following:

- Led the KPMG internal audit support services to an asset manager of a large corporate sponsored pension plan that manages over \$60B in assets. This included all aspects of the audit life cycle: Risk Assessment, Scoping, Test Program development and execution, validation of findings, evaluation of auditee responses, audit report preparation and presentation. Scope of auditable areas included trade execution, investment guidelines, asset allocation, external manager due diligence, valuation governance, custody, securities lending, etc.
- Assessed the design and effectiveness of wealth management platform's regulatory compliance, risk oversight, surveillance and governance activities, including compliance with 12 CFR Part 9 and preparing for regulatory examinations.
- As a senior securities compliance examiner with the SEC, Mark was responsible for leading exam teams in conducting routine, cause, and risk-targeted examinations of investment advisers, investment companies, hedge fund advisers, transfer agents, and administrators.
- As a vice president with a major third-party fund administrator, Mark managed the business relationships and fund services of several

hedge fund clients as well as provided project management services for the implementation of new hedge fund products.

Publications and speaking engagements

- Speaker, KPMG Regulatory Share Forums; Mid-Atlantic Hedge Fund Association, Moderator, Hedge Fund Forum at SEC headquarters, Washington, DC
- Training instructor, Regulatory Reform and Compliance Transformations



Bridghet Donato

Director

KPMG LLP
191 West Nationwide Blvd.
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bridghetdonato@kpmg.com

Function and specialization

Bridghet is a director in the KPMG Financial Risk Management Advisory practice specializing in investment management regulatory, compliance, and risk management.

Education, licenses & certifications

- BS degree, administration and finance, Arcadia University
- MBA degree, administration and finance, St. Joseph's University
- FINRA Series 7 and 24

Engagement Director

Background

Bridghet is a director with 20 years of financial services experience with specialization in asset management, compliance and insurance. Her areas of concentration include a deep knowledge of the U.S. federal securities laws and regulations and their practical applications across mutual fund complexes, investment advisers, trading operations, and treasury functions.

Professional and industry experience

Bridghet has strong knowledge of the Investment Advisors Act of 1940, Investment Company Act of 1940, and U.S federal, state, and local securities laws broadly. Bridghet has served in numerous senior compliance officer roles for investment management firms responsible for areas of operational due diligence, pricing and valuation governance, compliance program development, board reporting, fund operations, and risk management. She has performed enterprise wide regulatory risk assessments and compliance reviews of large mutual fund complexes which included performing annual compliance program reviews, ongoing compliance monitoring, and testing. She is also responsible for implementation and integration of identified enhanced control environment opportunities and risk assessment processes.

Bridghet's prior experience also includes the following:

- Assessed the design and effectiveness of large mutual fund compliance programs consisting of surveillance, governance activities, board reporting, performance of the annual 38a-1 Compliance Review and Report, and preparing for and managing regulatory examinations
- Created and maintained a laws and rules monitoring consisting of over 1000 rules within the firm's pre and post trade compliance platforms
- Reviewed, updated and converted investment guidelines & regulatory guidelines of general account and advisory accounts for large insurance company
- Managed team for ongoing monitoring and updates to investment guidelines for house accounts and client accounts
- Created the development and design of an enterprise level treasury department and related reporting function
- Served as an outsource chief compliance officer for multiple asset management firms focusing on private equity, hedge fund, mutual funds, and separate account platforms.
- Served as an institutional trader for more than 300 banks and clients
- Compliance monitoring for allocation models across over 20 managers



Katherine C. Kim

Manager

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

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kckim@kpmg.com

Function and specialization

Katherine is a member of the Financial Risk Management practice specializing in Investment Management /Capital Markets Operations & Compliance Risk

Education, licenses & certifications

- BA English, Hobart and William Colleges
- Graduate studies in economics, Columbia University
- Continuing education; financial risk management, fixed income, New York University School of Continuing Education

Engagement Manager

Background

Katherine is a manager in the KPMG Advisory, Financial Services, Regulatory and Compliance Risk practice with more than 15 years in the financial investment management and capital markets. She has focused on the development, implementation, and testing of compliance programs, the assessment of enterprise risk management frameworks and standards, and providing compliance advisory support.

Professional and industry experience

Strategic Business Initiatives and Integrations

- Led Compliance project management for strategic business acquisition integration. Established and assisted in the execution of the project plan for each in-scope Compliance workstream.
- Performed risk-based operational due diligence of third-party investment managers and sub-advisors covering broad range of strategies including private equity, real estate, long/short, fixed income, credit liability driven investing and register funds.

Business and Regulatory Transformation

- Assessed and implemented enhancements for a top tier global banking institutions which included developing a remediation plan, leading and managing multiple workstreams, and/or executing the remediation plan to develop target/sustainable operating models.
- Assessed, implemented and facilitated the governance and oversight management of remediation efforts for market conduct requirements globally.

Compliance Program Assessment

- Performed front to back assessments of global compliance programs of registered investment advisers for compliance with laws, rules, and regulations. Measured maturity against KPMG's leading practices and peer programs of size and complexity.
- Led efforts in securities rule analysis for U.S. and non-U.S. jurisdictions (e.g., Japan, Hong Kong, Netherlands, UK, and Canada) involving, among other things, marketing, information barriers, short selling, derivatives, registration, and regulatory reporting ((e.g., HSR Act, Section 13 and Section 16).



Hannah Deits

Associate

KPMG LLP
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New York, NY 10154

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email@kpmg.com

Function and specialization

Hannah is a member of the KPMG FSRCR practice, specializing in operational risk management within the banking and capital markets sectors

Education, licenses & certifications

— BBA degree, economics, Belmont University

Associate

Background

Hannah is an associate in the KPMG Financial Services, Regulatory and Compliance Risk practice. She graduated from Belmont University with a BBA degree in economics, with a focus in behavioral economics. After graduation, Hannah worked as an associate for the financial arm of an international construction company before joining KPMG.

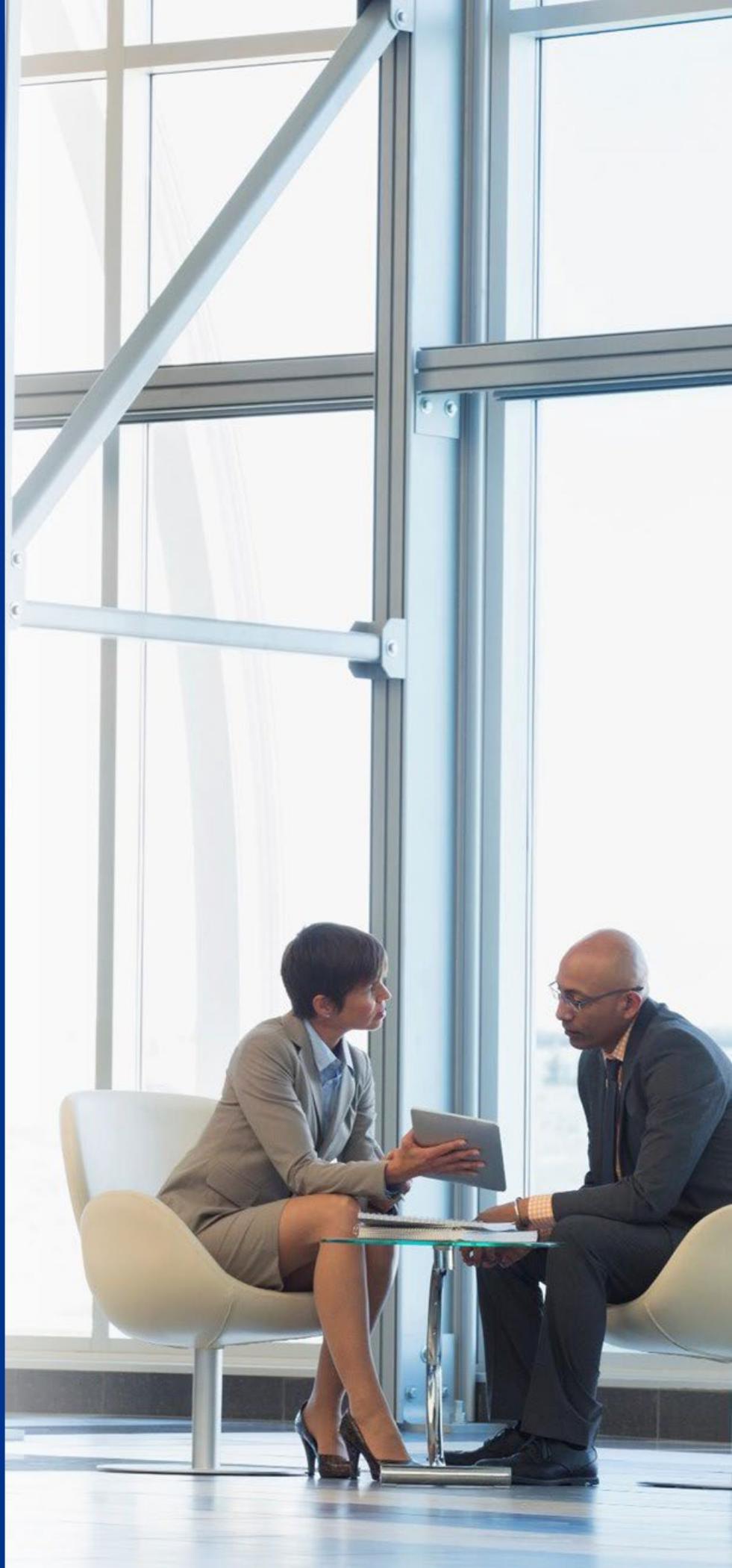
Professional and industry experience

- Supported the financial arm of an international construction company in the deployment of a new financial/accounting system, while also actively completing financial transactions for clients.
 - Crafted workflow guides and worked to find system efficiencies that could be executed across various departments.
 - Trained more than 15 new team members by leading daily training calls, crafting workflow guides, and standardizing intake processes for future new hires
- Analyzed DMA and Conduct Risk Plain English summaries for an international bank to assist their compliance with a regulatory violation
 - Identified gaps in the regulatory Plain English summaries
 - Mapped risks, controls, and policies & procedures at the obligation level
- Analyzed laws pertaining to corporate governance and wrote obligation descriptions to communicate the core requirement that the client must follow.
 - Curated a full inventory of corporate governance laws for banks that can be used on future engagements.
- Executed the role of project manager on a data curation project for an international financial institution
 - Led daily status calls with the team and external developers to track project status
 - Closely tracked and reviewed the deliverable status and reported the status to senior leadership
- Supported the development of RFP responses for Operational Risk projects at top tier banks

Technical Skills

Microsoft Office Suite, Microsoft Teams, SharePoint, Oracle

Other matters



**REQUESTED EXCEPTIONS TO THE RFP,
EXHIBIT E, & ASSUMPTIONS**

KPMG's acceptance of this engagement is contingent upon the successful completion of our standard engagement acceptance process. KPMG's acceptance is also contingent upon the ability to reach mutually agreeable additional terms and conditions as provided below. For ease of negotiations, KPMG requests the previously accepted terms and conditions under LACERA PSA for Auditing and Consulting Services Pool dated August 3, 2021 be accepted for this Agreement.

EXHIBIT E – AGREEMENT FOR SERVICES

<p>1. Services to be Provided. 1.4 Consultant's quality of service will be in accordance with the terms of the Contract and applicable professional standards .</p>	<p>Mutually accepted under LACERA PSA dated 8.3.2021</p>
<p>3. LACERA's Project Director. LACERA's Project Director, or designee, has responsibility for determining whether the Services are performed in accordance with the terms of the Contract and applicable professional standards. LACERA's Project Director is Richard Bendall.</p>	<p>Mutually accepted under LACERA PSA dated 8.3.2021</p>
<p>4. Indemnification and Insurance. 4.1 LACERA agrees that the liability of Consultant, including but not limited to, Consultant's negligence shall not exceed three times the fees he receives for the portion of the work giving rise to such liability. In addition, LACERA agrees that Consultant shall not under any circumstances be liable for any special, consequential, indirect, punitive, incidental or exemplary damages or loss (nor any lost profits, taxes, interest, tax penalties, savings or business opportunity costs), even it Consultant was advised in advance of such potential damages. This limitation shall not apply to the extent that it is finally determined to be the result of the Consultant's willful misconduct or fraud. This paragraph shall apply to any type of claim asserted, including contract, statute, tort, or strict liability, whether by LACERA, Consultant, or others. The Consultant's indemnification obligations under this section with respect to any legal action are contingent upon LACERA giving the Consultant: (1) written notice of any action or threatened action, (2) the opportunity to take over and settle or defend any such action at Consultant's sole expense, and (3) assistance in defending the action at Consultant's sole expense. The Consultant shall not be liable for any cost, expense, or compromise incurred or made by LACERA or Customer in any legal action without the Consultant's prior written consent, which shall not be unreasonably withheld.</p>	<p>Limitation of Liability mutually accepted under LACERA PSA dated 8.3.2021</p> <p>KPMG standard language regarding indemnification obligations with respect to any legal actions.</p>
<p>4. Indemnification and Insurance. 4.3.4 Include copies of the additional insured endorsement to the commercial general liability policy, adding that LACERA as insureds for all activities arising from this Contract. 4.3.5 4.9 Commercial General Liability. Consultant shall provide and maintain a Commercial General Liability insurance policy, which names LACERA as additional insured. Such policy shall cover legal liability for bodily injury and</p>	<p>Mutually accepted under LACERA PSA dated 8.3.2021 (4.34 thru 4.11)</p>

<p>property damage arising out of Consultant's negligent acts or omissions in the performance of this Contract. Such policy shall include, without limitation, endorsements for Property Damage, Premises-Operations, Products/Completed Operations, Contractual, and Personal/Advertising Injury with a limit of at least \$1,000,000 per occurrence and an annual aggregate of at least \$1,000,000.</p> <p>4.10 Auto Liability. Consultant shall provide and maintain a comprehensive auto liability insurance policy endorsed for all "non-owned" and "hired" vehicles with a combined single limit of not less than \$1,000,000 each claim.</p> <p>4.11 Workers' Compensation. Consultant shall bear sole responsibility and liability for furnishing Workers' Compensation benefits to Consultant's employees for injuries arising from or connected with any services provided to LACERA under this Contract. Consultant shall provide and maintain a program of Workers' Compensation, in an amount and form to meet all applicable statutory requirements if Consultant hires employees.</p> <p>4.12 Errors and Omissions, including Cyber Liability. Consultant shall provide and maintain insurance covering liability arising from any error, omission, negligent or wrongful act of the Consultant, its officers, employees or Agents, with limits of at least \$2,000,000 per claim and an annual aggregate of at least \$5,000,000. The coverage also shall provide an extended one-year reporting period commencing upon termination or cancellation of this Contract.</p>	<p>KPMG's Professional Liability policy is underwritten to include third party Cyber Liability coverage.</p> <p>See above.</p>
<p>6. Non-Exclusive Services.</p> <p>This Contract is not exclusive. Consultant has the right to perform services for others during the term of this Contract, but Consultant agrees not to engage in any business, work or services of any kind under contract, or otherwise, for any person, organization or agency, which would materially interfere with the performance of the Services. Consultant agrees to disclose such information regarding business, work, or services they perform on behalf of any person, organization, or agency as LACERA may reasonably require verifying Consultant's compliance with this Section.</p>	<p>Mutually accepted under LACERA PSA dated 8.3.2021</p>
<p>10. Confidentiality.</p> <p>10.1.1 Consultant shall not disclose Confidential Information to any person within its organization except those persons required to perform the services of the Contract, except to the extent that such disclosure may be required for internal corporate, accounting or legal review.</p> <p>10.1.2 Consultant shall not disclose Confidential Information to any third party without LACERA's advance written approval; except as required pursuant to any applicable law, regulation, judicial or administrative order or decree, or request by other regulatory organization having authority pursuant to the law provided, however, that the Contractor shall use reasonable efforts to minimize such disclosure.</p> <p>10.1.4</p> <p>Consultant shall exercise the same level of care to protect the other's information as it exercises to protect its own confidential information but in no event less than reasonable care, except to the extent that LACERA identifies applicable law,</p>	<p>Sections 10.1.1 thru 10.1.4, mutually accepted under LACERA PSA dated 8.3.2021</p>

<p>policies, or standards or Consultant identifies professional standards that impose a higher requirement.</p> <p>10.1.5 Consultant will not use the Confidential Information for any purpose other than to perform the services required by this Contract. This confidentiality provision will survive the termination of the Contract. Notwithstanding the foregoing, Consultant shall be permitted to disclose confidential information as required to comply with applicable professional standards</p>	<p>As an accounting firm and to maintain compliance with professional standards, KPMG may at times be required to disclose client confidential information. However, KPMG will comply with the LACERA confidentiality provisions as previously agreed on.</p>
<p>12. Compliance with Laws.</p> <p>Consultant shall comply with all applicable Federal, State and local laws, rules, regulations, ordinances, and directives, and all provisions required to be included in this Contract are incorporated by this reference. Consultant shall indemnify and hold LACERA harmless from any loss, damage or liability resulting from a violation by Consultant of any such laws, rules, regulations, ordinances, and directives to the extent caused by Consultant’s negligent acts or omissions in the performance of this Contract.</p>	<p>Mutually accepted under LACERA PSA dated 8.3.2021</p>
<p>15. Termination for Default.</p> <p>Services performed under this Contract may be terminated in whole or in part by LACERA providing to Consultant a written Notice of Default if (1) Consultant fails to perform the services within the time specified in this Contract or any extension approved by LACERA, provided Consultant shall not be liable for delays beyond his reasonable control, or (2) Consultant fails to perform any other covenant or condition of this Contract, or (3) Consultant fails to make progress so as to endanger its performance under this Contract.</p> <p>Consultant shall have ten (10) calendar days from the date of the Notice of Default in which to cure the Default(s), however, in its sole discretion, LACERA may extend this period or authorize a longer period for cure.</p> <p>Without limitation of any additional rights or remedies to which it may be entitled, if LACERA terminates all or part of the services for Consultant's Default, LACERA, in its sole discretion, may procure replacement services. In the event the Contract is terminated for default, the Consultant shall not have any liability to LACERA as a result of LACERA’s use of any unfinished, incomplete, or draft work products and materials that are furnished to LACERA, provided that CONSULTANT has notified LACERA of the incomplete status of such material.</p>	<p>Mutually accepted under LACERA PSA dated 8.3.2021</p>
<p>16. Termination for Convenience.</p> <p>ADD</p> <p>In the event the Contract is terminated for convenience, the Contractor shall not have any liability to LACERA as a result of LACERA’s use of any unfinished, incomplete, or draft work products and materials that are furnished to LACERA, provided that CONSULTANT has notified LACERA of the incomplete status of such material.</p>	<p>Mutually accepted under LACERA PSA dated 8.3.2021</p>

17. S OC-2

SOC-2 Report. Upon request, and where applicable and available ,the Consultant shall provide a summary of its most recent annual audit relating to information technology security and operational processes to provide such security applicable to LACERA information within Consultant’s possession or control, as applicable to Consultant’s provision of services.

17.4 All SOC 2 Audits, including those of the Consultant and any subcontractors, shall be performed at no additional expense to LACERA.

17.5 Upon request, the Consultant and all relevant subcontractors shall promptly provide a complete copy of the final SOC 2 Report(s) to the Project Director upon completion of each SOC 2 Audit engagement.

17.6 The Consultant shall provide to LACERA, within 30 calendar days of the request, a documented corrective action plan that addresses any material audit finding or exception contained in a SOC 2 Report as applicable to LACERA information..

17.7 If the Consultant or any subcontractor fails to provide an applicable annual SOC 2 Report summary in response to LACERA’s request, upon request, LACERA shall have the right to perform assessment as applicable to the LACERA information functions and processes utilized or provided by the Consultant and any relevant subcontractor under the Contract. Upon request, the Consultant and any subcontractor agree to allow LACERA reasonable access to its facilities for purposes of conducting this assessment. Consultant will provide reasonable support and cooperation to LACERA to perform the assessment. LACERA will invoice the Consultant for the expense of the assessment, or deduct the cost from future payments to the Consultant.

KPMG can make SOC reports available in regards to certain aspects of its IT environment with the following requested revisions.

17.1 KPMG can provide a SOC report after executing the contract but not a SOC audit.

17.2, 17.3, & 17.6 – SOC report will pertain to applicable LACERA information within Consultant’s possession or control, as applicable to Consultant’s provision of services.

17.7 KPMG requests that third-party audit rights for information security be changed to an “assessment.”

If LACERA wants to have a third party perform such

	assessment, KPMG will need to retain the right to approve such third party.
<p>18. Disaster Recovery & Business Continuity</p> <p>As applicable to the provision of services, Consultant will implement and maintain disaster recovery and business continuity procedures that are reasonably designed to recover data processing systems, data communications facilities, information, data and other business related functions of LACERA in a manner and time frame consistent with legal, regulatory and business requirements applicable to LACERA.</p>	Mutually accepted under LACERA PSA dated 8.3.2021
<p>19. Data Breach Verification</p> <p>19.1 Consultant shall provide written, signed attestation that to the best of its knowledge, no data breach, hacking, or incidental divulging of Member Records has occurred and that no Member Record has been compromised. The attestation shall verify that adequate internal policies and procedures exist to prevent data theft and unauthorized access. For the avoidance of doubt, the attestation requirement in this section shall be limited to Member Records processed by Consultant during the term of this Agreement, and such attestation requirement shall expire upon termination of the Agreement.</p> <p>19.3 Consultant shall comply with California Civil Code §1798.29(e) and California Civ. Code §1798.82(f), as applicable to the provision of services.</p> <p>19.4 Consultant shall reimburse LACERA for the notification of any California resident whose unencrypted personal information, as defined, was acquired, or reasonably believed to have been acquired, by an unauthorized person as required by California Civil Code §1798.29(a) and California Civ. Code §1798.82(a).</p> <p>19.5 Notwithstanding the legal notification requirements in the preceding paragraphs, Consultant will promptly and without undue delay notify LACERA upon its discovery of any data breach of personal information provided to Consultant by LACERA including, but not limited to, any personal information included in a Member Record.</p>	<p>19.1 mutually accepted under LACERA PSA dated 8.3.2021 but revised here clarify that attestation is specific to LACERA agreement only.</p> <p>19.2 thru 19.5 - Mutually accepted under LACERA PSA dated 8.3.2021</p>
<p>22. Attorney's Fees.</p> <p>In the event of litigation between the parties concerning this Contract, the prevailing party shall be entitled to recover reasonable costs and expenses incurred therein, including attorney's fees which shall be included in the limitation of liability described in Section 4. These expenses shall be in addition to any other relief to which the prevailing party may be entitled and shall be included in and as part of the judgment or decision rendered in such proceeding.</p>	Mutually accepted under LACERA PSA dated 8.3.2021
<p>23. Interpretation.</p> <p>The parties acknowledge that they have been given the opportunity to have counsel of their own choosing to participate fully and equally in the review and negotiation of this Contract. The language in all parts of this Contract shall be construed in all cases according to its fair meaning, and not strictly for or against</p>	Mutually accepted under LACERA PSA dated 8.3.2021

<p>any party hereto. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in interpreting this Contract.</p>	
<p>25. Additional Provisions:</p> <p>(a) Third Party Usage. LACERA acknowledges and agrees that any advice, recommendations, information, Deliverables or other work product (“Advice”) provided by the Consultant in connection with the services under the Contract is intended for LACERA’s sole benefit and the Consultant does not authorize any party other than LACERA to benefit from or rely upon such Advice, or make any claims against the Consultant relating thereto. Any such benefit or reliance by another party shall be at such party’s sole risk. KPMG may, in its sole discretion mark such Advice to reflect the foregoing. Except for disclosures that are required by law or that are expressly permitted by this Contract, LACERA will not disclose, or permit access to such Advice to any third party without KPMG’s prior written consent.</p> <p>(b) California Accountancy Act. For engagements where services will be provided by KPMG through offices located in California, LACERA acknowledges that certain of Consultant’s personnel who may be considered "owners" under the California Accountancy Act and implementing regulations (California Business and Professions Code section 5079(a); 16 Cal. Code Regs. sections 51 and 51.1) and who may provide services in connection with this engagement, may not be licensed as certified public accountants under the laws of any of the various states. Note to team: This may be omitted where you have no individuals coded to California AND where you do not plan to use any individuals later on. If this section is omitted in the contract, you may not use any employees coded to California.]</p> <p>(c) Ownership. Except for Consultant Property, and upon full and final payment to Consultant under the Contract, Consultant assigns and grants to Client, title in the tangible items specified as deliverables or work product in task orders issued by LACERA under this Contract (the “Deliverables”) and any copyright interest in the Deliverables; provided that if and to the extent that any Consultant property is contained in any of the Deliverables (“Consultant Property”), Consultant hereby grants Client, under Consultant’s intellectual property rights in such Consultant Property, a royalty-free, non-exclusive, non-transferable, perpetual license to use such Consultant Property solely in connection with LACERA’s use of the Deliverables. Consultant Property includes: (i) concepts, ideas, methods, methodologies, procedures, processes, know-how, techniques, models, formulas, templates and software, and (ii) the general elements of style, design, artwork and graphics and content of general applicability included in Consultant’s Deliverables not specific to LACERA or the services under this Agreement. Consultant retains all ownership and use rights in the Consultant Property. Consultant acknowledges that it shall obtain no ownership right in Confidential Information of Client. In addition, LACERA acknowledges and agrees that Consultant shall have the right to retain for its files copies of each of the Deliverables and all information necessary to comply with its contractual obligations and applicable professional standards.</p> <p>(d) Use of Vendors. LACERA acknowledges and agrees that in connection with the performance of services under the Contract, Consultant and its Member Firms, in their discretion or at Client’s direction, may utilize the services of third</p>	<p>Mutually accepted under LACERA PSA dated 8.3.2021</p> <p>Mutually accepted under LACERA PSA dated 8.3.2021</p> <p>Mutually accepted under LACERA PSA dated 8.3.2021</p>

parties within and outside of the United States to complete the services under the Contract. LACERA further acknowledges and agrees that Consultant-controlled parties, member Firms of KPMG International, and other third party service providers (collectively, "Vendors") may have access to Confidential Information from offshore locations, and that the Consultant uses Vendors within and outside of the United States to provide at Consultant's direction administrative or clerical services to Consultant. These Vendors may in the performance of such services have access to Client's Confidential Information. Consultant represents to LACERA that with respect to each Vendor, Consultant has technical, legal and/or other safeguards, measures and controls in place to protect Confidential Information of LACERA from unauthorized disclosure or use. Consultant shall be responsible to LACERA for Consultant-controlled, member Firms or Vendor's failure to comply.

(e) Force Majeure. Neither party shall be liable for failure to fulfill its obligations under this Agreement if that failure is caused, directly or indirectly, by flood, communications failure, extreme weather, fire, mud slide, earthquake, or other natural calamity or act of God, interruption in water, electricity, heating or air conditioning (depending on the season), acts of terrorism, riots, civil disorders, rebellions or revolutions, acts of governmental agencies, epidemics, quarantines, embargoes, malicious acts of third parties, labor disputes affecting vendors or subcontractors and for which the party claiming force majeure is not responsible, or any other similar cause beyond the reasonable control of that party.

(f) DATA RETENTION AND LATENT DATA DISCLAIMER

KPMG may retain a copy of information received, developed, or otherwise relating to this contract in order to comply with its contractual obligations and applicable professional standards.

Information stored on routine back-up media for the purpose of disaster recovery will be subject to destruction in due course. Latent data such as deleted files and other non-logical data types, such as memory dumps, swap files, temporary files, printer spool files and metadata that can customarily only be retrieved by computer forensics experts and are generally considered inaccessible without the use of specialized tools and techniques will not be within the requirement for the return or destruction of records as contemplated by this paragraph.

(g) Volume Rebates. Where Consultant is reimbursed for expenses, Consultant's policy is to bill clients the amount incurred at the time the good or service is purchased. If Consultant subsequently receives a volume rebate or other incentive payment from a vendor relating to such expenses, Consultant does not credit such payment to its clients. Instead, Consultant applies such payments to reduce its overhead costs, which costs are taken into account in determining Consultant's standard billing rates and certain transaction charges that may be charged to clients.

(h) Disputes. The parties agree that any dispute or claim arising out of or relating to the Contract or the services provided thereunder shall first be submitted to non-binding mediation as a prerequisite to litigation. Mediation may take place at a location to be designated by the parties using the Mediation Procedures of the International Institute for Conflict Prevention and Resolution, with the exception of paragraph 2 (Selecting the Mediator). If, after good faith efforts, the parties are unable to resolve their dispute through mediation within ninety (90) days after the issuance by one of the parties of a request for mediation, then the parties are free

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KPMG notice to Clients regarding rebates/incentive payments it may receive and how they are handled if KPMG bills Client for expense reimbursements. Rebates are considered when we regularly review and adjust rates.

to pursue all other legal and equitable remedies available to them. Nothing herein shall preclude Contractor from filing a timely formal claim in accordance with applicable California law provided, however, that Contractor shall, if permitted, seek a stay of said claim during the pendency of any mediation. Either party may seek to enforce any written agreement reached by the parties during mediation in any court of competent jurisdiction.

KPMG requests that non-binding mediation be used as a prerequisite to litigation should any dispute or claim arise.

PROPOSAL ASSUMPTIONS

Management Decisions. LACERA acknowledges and agrees that the Consultant's services may include advice and recommendations; but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, Client. KPMG will not perform management functions or make management decisions for Client.

LEGAL ADVICE: Neither KPMG LLP nor its professionals will provide legal advice or engage in the practice of law in connection with the resulting engagement. All questions of law, including potential changes to current law, are the sole responsibility of LACERA in consultation with LACERA's counsel.

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