

CRISIS RESPONSE PLAN

The purpose of a Crisis Response Plan is to protect the assets of the Pension Fund by structuring a response to unanticipated crises. This includes an event in which key personnel from LACERA cannot be reached for an extended period of time. This plan is to work in conjunction with LACERA's Business Continuity Plan and would take effect once a crisis has been declared by LACERA's Incident Response Team.

OVERVIEW

An investment-related crisis is broadly defined as an event that interrupts or impairs LACERA's ability to effectively monitor or manage the Pension Fund's assets. An unexpected crisis could take many forms, from a natural disaster that disrupts the monitoring of securities, to mass personnel disruptions that effectively renders the Fund's assets unmanaged. An investment-related crisis may require actions that deviate from the normal course of business as articulated in the Investment Policy Statement and associated procedures. LACERA believes the Fund's assets should never be left unattended, and recognizes that under extreme circumstances, it may be prudent to take urgent investment action on short notice to effectively manage the Pension Fund's cash availability.

LACERA has adopted the following emergency operating procedures in the event that LACERA's ability to manage the Fund's assets is impaired. This includes a situation where critical staff, with the authority to administer trades and cash movements, have become unreachable for a certain period of time.

DEFINITION OF CRISIS RESPONSE GROUP

LACERA has identified a Crisis Response Group in the event of an emergency. The Crisis Response Group will consist of six entities:

1. the Chief Investment Officer (CIO)
2. the Deputy Chief Investment Officer (DCIO)
3. the Principal Investment Officers (PIOs)
4. the Chief Executive Officer (CEO)
5. the Board of Investment's General Investment Consultant - assigned consultants
6. the Chair of the Board of Investments

An Appendix to this document lists the individuals currently in these roles.

If possible, all activities of the Crisis Response Group will be conducted in parallel by the six entities and follow the priority listed above. For example, the Principal Investment Officers,

in conjunction with the General Investment Consultant, would be able to act on LACERA's behalf if the Chief Investment Officer is not available.

However, in the unlikely event that the Chief Investment Officer, and any representative of the Crisis Response Group is unavailable, the Board's General Investments Consultant is authorized to act on the Pension Fund's behalf.

CRISIS RESPONSE PLAN

An unexpected crisis could take many forms, from a natural disaster that disrupts the monitoring of securities, to mass personnel departures that effectively render the Pension Fund's assets unmanaged. Common to every crisis, however, would be the need to act quickly to minimize a negative impact on the Pension Fund's assets. The Crisis Response Plan, outlined below, has four steps: the discovery of the negative event, the evaluation of the negative event, the implementation of appropriate action, and a review of the crisis intervention.

- *Discovery of Event*

The initial discovery of a material event could come from many sources, including an event as defined by LACERA's Business Continuity Plan, the General Investment Consultant, the public media, the custodian bank, or investment managers. Therefore, it is important that all professionals understand their duty to report significant events immediately to the Crisis Response Group. A memorandum describing the duty to notify and providing relevant telephone numbers will be circulated by LACERA's Investment Office to all involved parties (Board of Investments, Executive Office, Chief Counsel, Communications Manager, custodian bank, investment managers, and investment consultants) each year.

- *Evaluation of Event*

Immediately upon notification, the General Investment Consultant and the Chief Investment Officer will consider the nature and severity of the event. After evaluating the event fully, the General Investment Consultant and Chief Investment Officer will consult the other members of the Crisis Response Group and prepare a recommended course of action.

The following lists the minimum members necessary from the Crisis Response Group, in the absence of the Chief Investment Officer, needed to enact this plan:

- DCIO and General Investment Consultant
- Two PIOs and General Investment Consultant
- One PIO, CEO and General Investment Consultant

- Chair of the Board of Investments, PIO or CEO, and General Investment Consultant
- General Investment Consultant if no other members of the Crisis Response Group can be contacted

Should the Chief Investment Officer not be reachable, the General Investment Consultant will attempt to reach the Deputy Chief Investment Officer, followed by the Principal Investment Officers, followed by one designated Trustee who also serves as the Chair on the Board of Investments. If no other Crisis Response Group Entities from LACERA can be contacted within five business days, the General Investment Consultant will be authorized to act on LACERA's behalf.

- *Crisis Response Implementation*

If the Crisis Response Group determines that the event does require some form of immediate intervention outside the normal course of business, the Crisis Response Group will carry out the necessary action, and the General Investment Consultant will document the actions taken. This includes the following actions:

- Suspend the securities lending program and recall all securities on loan
- Suspend all overlay programs, including cash and currency programs
- Raise a maximum of \$1 billion in cash from passive investments
- Transfer raised cash, from the steps above, to LACERA's operating cash account

An appendix to this document lists the procedures necessary to complete the above actions.

- *Follow-up*

The Board of Investments will be notified as quickly as reasonably possible by memorandum. The crisis, and subsequent intervention, will then be reviewed at the next scheduled meeting, and documented in writing.