LACERA

April 29, 2026

TO: Trustees – Board of Investments

FROM: Esmeralda del Bosque
Principal Investment Officer

FOR: May 13, 2026 Board of Investments Meeting

SUBJECT: **Total Fund Cash Equivalents, Cash Overlay, and Currency Hedge Investment Guidelines – Recommendation**

RECOMMENDATION

Approve the proposed investment guidelines for the total Fund's cash equivalents, cash overlay, and currency hedge programs

SUMMARY

In late 2025, LACERA completed its cash overlay request for proposal ("RFP"), resulting in the retention of Parametric Portfolio Associates as the cash overlay manager. The Board of Investments ("Board") was notified that following completion of the RFP, an update would be provided.

At the April 2026 BOI meeting, an update was provided alongside education on the total Fund's cash equivalents, cash overlay, and currency hedge programs.

Today, Trustees will be provided a presentation reviewing the proposed guideline parameters for the three programs.

Attachment 1 is the investment guideline presentation for the Board's consideration and approval.

These guidelines are consistent with the Board-approved Investment Policy Statement, strategic asset allocation, and policy benchmarks, and follow the same established governance process applied to all previously approved total Fund functional category guidelines.

Meketa's concurrence memo is **Attachment 2**, and the April 2026 education item is included as **Attachment 3**.

Attachments

Noted and Reviewed:

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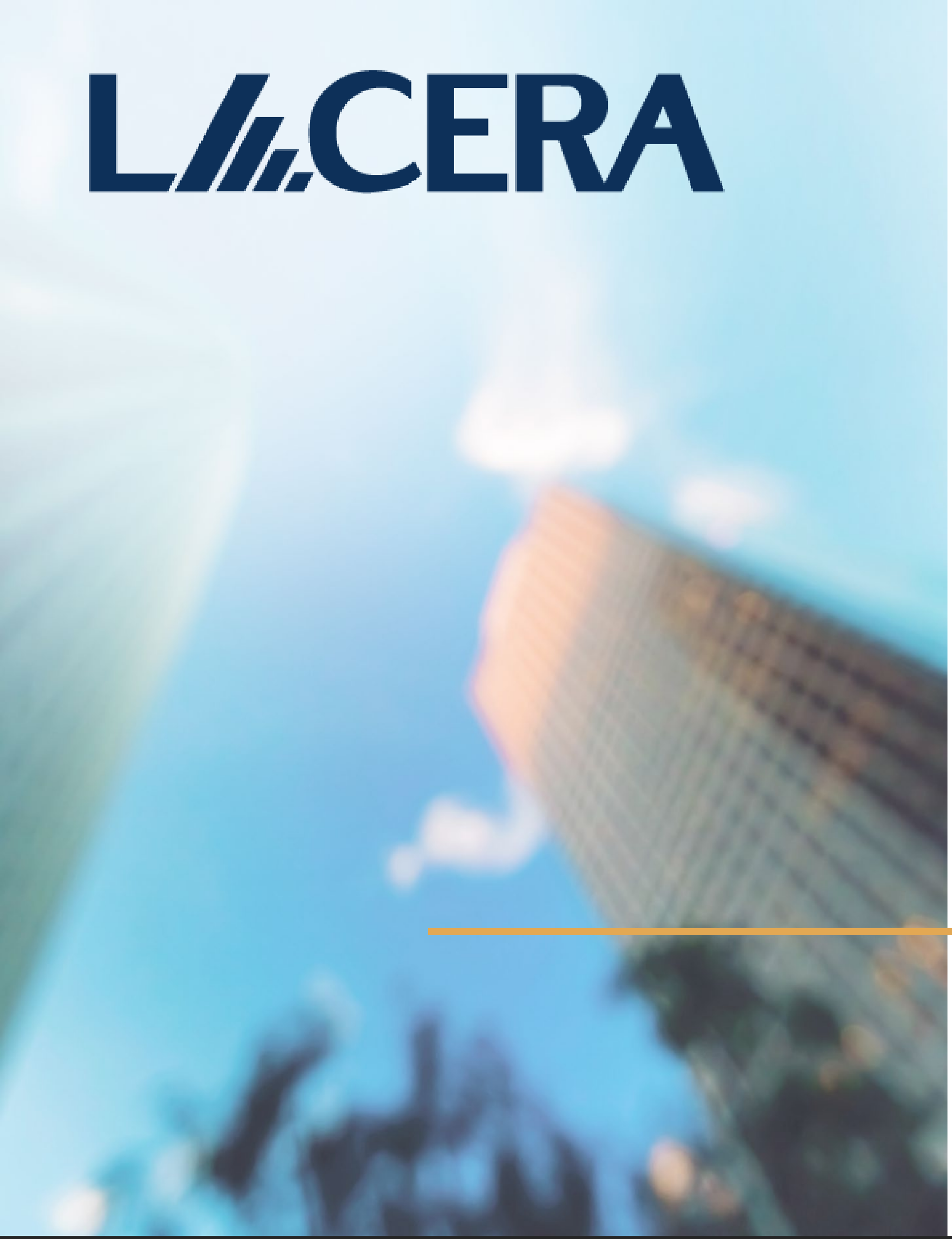
Jonathan Grabel
Chief Investment Officer



Cash Equivalents, Cash Overlay and Currency Hedge Investment Guidelines

Total Fund

Board of Investments Meeting

May 13, 2026

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Recommendation and Overview

Recommendation

Approve the proposed investment guidelines for the total Fund's cash equivalents[1], cash overlay, and currency hedge programs

Overview

- The Board of Investments ("Board") was notified that following completion of the cash overlay RFP, an update would be provided
  - The update was provided at the April 2026 BOI meeting, alongside education on the total Fund's cash equivalents, cash overlay, and currency hedge programs
  - Today's item advances that progression with proposed guideline parameters for the three programs

- This recommendation:
  - Formalizes the guidelines currently utilized and follows the established Board approval process previously used across all other functional categories
  - Is consistent with the Board-approved Investment Policy Statement, strategic asset allocation ("SAA"), and policy benchmarks

- Meketa's concurrence memo is included as **Attachment 2**

[1] *The total Fund Investment Policy Statements identify cash equivalents as "Cash". Cash equivalents is a more representative name for the cash asset category*

Timeline

Cash Equivalents

2010

Passive 50% developed markets **currency hedge initiated** for the global equity allocation

2019

Total Fund **passive cash overlay** program implemented

2020

Cash equivalents mandate updated to support business continuity

2021

Total Fund SAA added Overlays and Hedges as the **5th functional category**

Overlays and Hedges

2025

I. BOI Education on Overlay and Hedges

II. Completed **passive cash overlay request for proposal**

2026

III. April: BOI Education on Cash Equivalents, Cash Overlay, and Currency Hedge

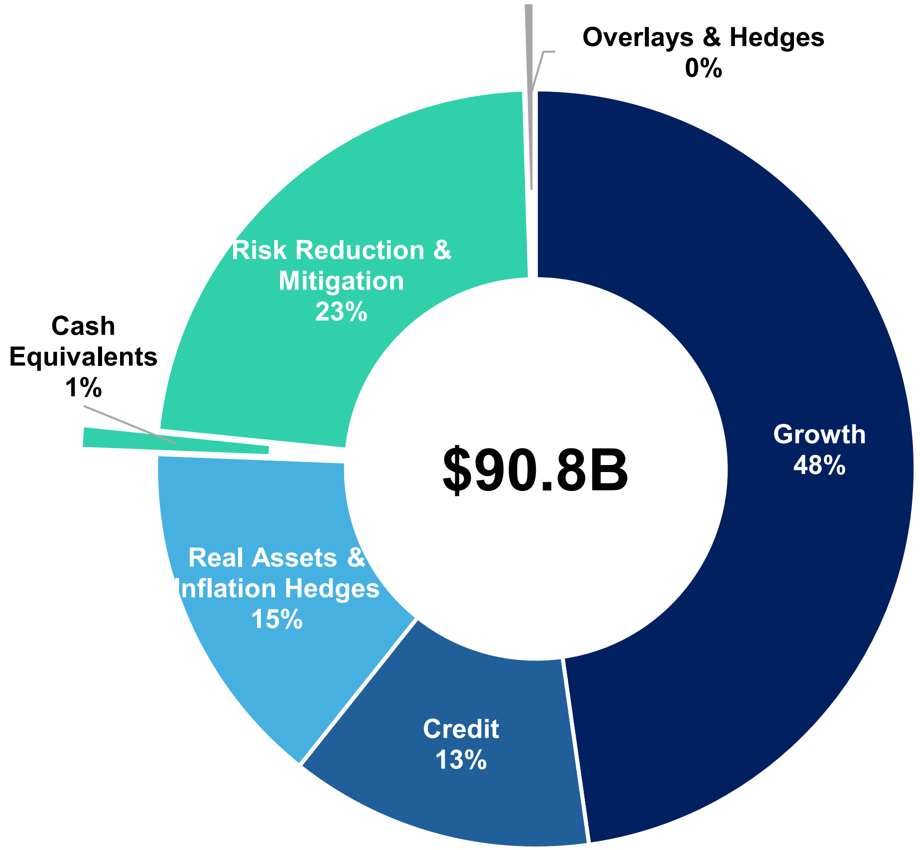
May: Proposed Investment Guidelines for the total Fund Cash Equivalents, Cash Overlay, and Currency Hedge programs

I. Meeting Link: Board of Investments | June 11, 2025 – YouTube Timestamp: 28:25

II. Meeting Link: Board of Investments | November, 12, 2025 – Executive Session item A.1. Selection notice

III. Meeting Link: Board of Investments | April 8, 2026 – YouTube Timestamp: 1:02:11

Strategic Asset Allocation – Policy Targets



Total Fund

Cash Equivalents

- **Cash** falls within the **Risk Reduction and Mitigation** functional category with a 1% target allocation
- Investment guidelines for the Growth, Credit, Real Assets and Inflation Hedges, and Risk Reduction and Mitigation functional categories have already been approved by the Board

Overlays and Hedges

- The **Overlays and Hedges** functional category includes the **total Fund Cash Overlay** and **Global Equity Currency Hedge** mandates

Reflects total Fund policy targets and market values as of January 31, 2026.

Program Roles

Functional Category	**Risk Reduction and Mitigation**	**Overlays and Hedges**	
Program	**Cash Equivalents**	**Cash Overlay**	**Global Equity Currency Hedge**
Objectives	• As the least volatile asset class, cash equivalents provide stability and risk mitigation for the total Fund • Primary source of liquidity • Support portfolio activity and operational needs	Increase portfolio efficiency: • Adhere to the SAA functional category policy target weights • Reduce tracking error Strategically manage cash equivalent balances: • Minimize drag on returns (cash drag) • Maintain liquidity for cash flow and operational needs	• Minimize active non-U.S. equity markets exchange rate risk relative to the index • Improve risk-adjusted results by reducing volatility from currency exposure • Preserve returns by protecting against currency depreciation

Current Guideline Implementation

The proposed investment guidelines mirror those currently governing the cash equivalents, cash overlay and currency hedge programs

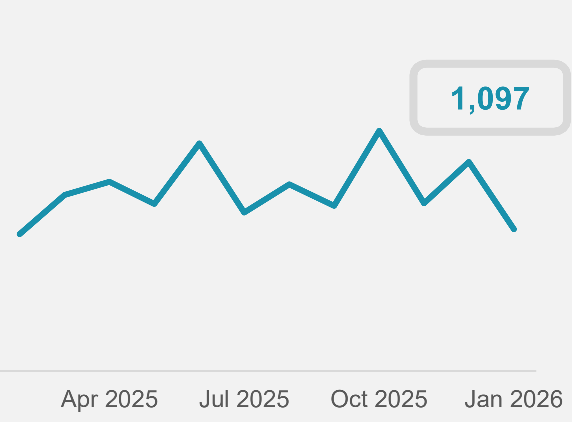
	TODAY		GOING FORWARD
Cash Equivalents	Guidelines established to ensure liquidity and to support operational needs	→	✔ Proposed investment guidelines reflect current implementation
Cash Overlay	Guidelines promote adherence to the Board-approved strategic allocation and LACERA's rebalancing protocol	→	✔ Proposed investment guidelines formalize current portfolio construction, adding one permissible instrument type
Currency Hedge	Guidelines are designed so that currency exposures remain at appropriate levels and pre-defined risk controls	→	✔ Proposed investment guidelines codify the current approach

Results (As of January 2026)

Cash Equivalents [1]

~ 3 months
liquidity to cover benefit payments

Month End Cash Equivalents Market Value
USD (in millions)

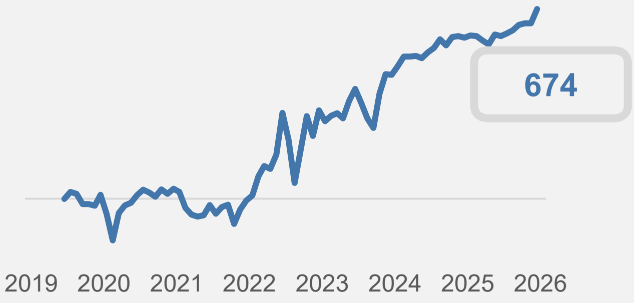


[1] Reflects data for the period from Feb 2025 to Jan 2026

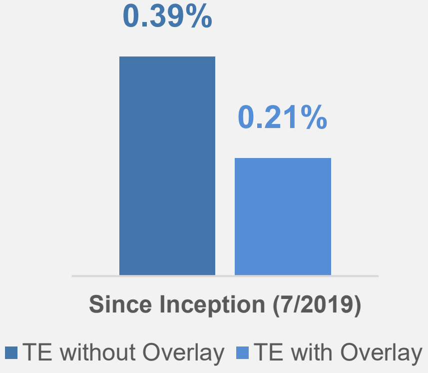
Cash Overlay

$674M
in gains since inception, reducing cash drag

Cumulative Gain/Loss
USD (in millions)



~50%
tracking error reduced since inception



Cash Overlay Design Principles

Fully collateralized

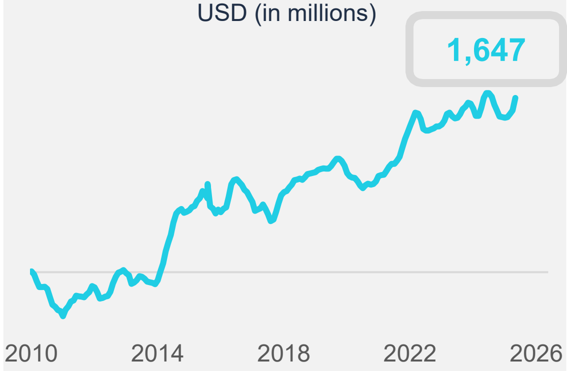
Risk management and Rebalancing tool

Policy-aligned rebalancing

Currency Hedge[2]

$1.65B
in gains since inception, improving risk-adjusted returns

Cumulative Gain/Loss
USD (in millions)



[2] Inception date August 2010

The three programs have:

Assisted in adhering to total Fund policy allocation targets

Met asset class-specific objectives

Managed portfolio risk

Cash Equivalents

(within Risk Reduction and Mitigation Functional Category)

TARGET ALLOCATION

+1%

Allocation Range: 0-3%

Investment Guidelines

Cash Equivalents

Mirrors Existing Guideline?	Proposed Guideline	Description
✓	**Objective**	Serves as the total Fund's primary source of liquidity, providing stability and risk mitigation while supporting ongoing portfolio activity and operational needs
✓	**Benchmark**	FTSE 3-Month US Treasury Bill Index
✓	**Investment Type**	Securities limited to U.S. Treasury and U.S. Government agency issues, repurchase agreements *(collateralized with Treasury, agency, or agency mortgage-backed securities)*
✓	**Liquidity**	• Daily liquid assets (sold within 1 day) – at least 75% of the total • Weekly liquid assets (sold within 5 days) - at least 95% of the total • Liquid assets sold within 7 days – maximum 5% of the total
✓	**Maturity Schedule**	• Weighted average maturity will not exceed 60 days • Weighted average life will not exceed 120 days • Securities must have a remaining maturity of 397 days or less
✓	**Leverage**	Prohibited
✓	**Mandate Requirements**	• No short sales • Securities must be U.S. dollar denominated • Holdings of State Street securities are prohibited • Trading with State Street Global Markets, LLC is prohibited • Transactions with designated countries, individuals and entities listed on Office of Foreign Assets Control (“OFAC”) Sanctions Lists are prohibited
✓	**Prohibited Investments**	Any securities issued by the following counties, districts and agencies: Los Angeles County, Little Lake Cemetery District, South Coast Air Quality Management District, Los Angeles County Office of Education, Local Agency Formation Commission
✓	**Economic Substitution**	Refrain from purchasing securities in tobacco, Sudan, and Iran when the same investment goals concerning risk, return, and diversification can be achieved through the purchase of another security

Cash Overlay

(within Overlays and Hedges Functional Category)

TARGET ALLOCATION

+0%

Investment Guidelines

Cash Overlay

Mirrors Existing Guideline?	**Proposed Guideline**	**Description**
✅	**Objective**	Support adherence to functional category policy target weights, maintain liquidity for operational needs, and minimize cash drag
✅	**Benchmark**	Custom benchmark based on the Board-approved policy benchmarks and allocation target weights in the Growth, Credit, Real Assets and Inflation Hedges, and Risk Reduction and Mitigation functional asset categories as indicated in the total Fund's Investment Policy Statement
✅	**Implementation**	Reflects Board-approved SAA functional category policy target weights and benchmarks, while balancing cost and execution efficiency
✅ *Bilateral OTC contracts are new (see next page)*	**Permissible Instruments**	• Domestic and international equity futures • Domestic and international fixed income futures • Foreign currency futures, forwards, and physical holdings • Domestic and international equities • Exchange Traded Funds (ETFs) and Exchange Traded Notes (ETNs) • Exchange Traded Options on Equities, ETFs and indexes • U.S. Government/Agency Securities • Centrally cleared over-the-counter ("OTC") contracts • Bilateral OTC contracts • Commodity Futures and Commodity Index Futures
✅	**Excess Cash Deployment**	Invests in unallocated cash above 1% of the total Fund
✅	**Margin**	Cash and/or physical securities can be used as collateral to support overlay exposure
✅	**Fund Leverage**	Prohibited
✅	**Economic Substitution**	Refrain from purchasing securities in tobacco, Sudan, and Iran when the same investment goals concerning risk, return, and diversification can be achieved through the purchase of another security

Bilateral OTC Contracts

Bilateral OTC contracts are a standard instrument type used by the cash overlay manager. Guideline inclusion would allow for future use when beneficial to LACERA

Bilateral OTC Contracts defined: A contract privately negotiated and executed directly between two counterparties, without an exchange or central clearinghouse

KEY CHARACTERISTICS

Private Negotiation

Executed directly between two counterparties; no exchange or intermediary involved

Customizable Terms

Structure and terms tailored to both parties' specific needs

Counterparty Credit Risk

Each party is exposed to the other's risk of default; no central clearinghouse guarantee

BENEFITS

Tailored Hedging

Match exposure with bespoke structures unavailable on centrally cleared exchanges

Flexibility

Utilized to access instruments and payoff profiles not offered through standardized markets

Confidentiality

Trade terms remain private between the two contracting parties

Global Equity Currency Hedge

(within Overlays and Hedges Functional Category)

TARGET ALLOCATION

0%

Investment Guidelines

Global Equity Currency Hedge

Mirrors Existing Guideline?	Proposed Guideline	Description
✅	**Objective**	Provide a 50% passive currency hedge, back to the U.S. Dollar, of the non-U.S. foreign currency exposure of LACERA's international holdings in accordance with the currency weights of the MSCI World ex-U.S. IMI USD Index
✅	**Benchmark**	The return over a period of one calendar month that results from hedging 50% of LACERA's international holdings with one-month forward contracts in accordance with the currency weights as of the end of the previous calendar month
✅	**Permissible Instruments**	Spot and forward currency contracts of countries in the MSCI World IMI Index with maturities limited to 110 days
✅	**Counterparties**	Six (6) approved (by Currency Hedge Manager and LACERA) investment grade rated counterparties regulated by the appropriate regulatory body of at least one of the countries included in the MSCI World IMI Index
✅	**Counterparty Exposure Limit**	Individual counterparty exposure limited to 33% of gross notional amount of the exposure of the currency hedge at the time of the currency hedge adjustment or rebalance activity
✅	**Rebalancing**	Monthly to adjust or rebalance exposures (90-day currency forwards with 1/3rd rolled monthly)
✅	**Economic Substitution**	Refrain from purchasing securities in tobacco, Sudan, and Iran when the same investment goals concerning risk, return, and diversification can be achieved through the purchase of another security

Summary and Recommendation

Summary

The cash equivalents, cash overlay, and currency hedge programs have benefited the total Fund since program inception. They have supported adherence to the Board-approved SAA, maintained liquidity for operational needs, and improved risk-adjusted returns.

Importantly, the proposed program guidelines mirror those currently used in practice. Therefore, ratifying the guidelines is expected to continue to enhance the Fund's financial performance and operational efficiency.

Recommendation

Approve the proposed investment guidelines for the total Fund's cash equivalents, cash overlay, and currency hedge programs

Appendix

Glossary of Terms

Term	Definition
Bilateral OTC Contracts	A contract privately negotiated and executed directly between two counterparties, without an exchange or central clearinghouse
Cash Drag	The negative impact on portfolio performance of holding cash in-lieu of investing it
Cash Equivalents	Short-term, highly liquid investments that can be readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. Typically have an original maturity date of three months or less.
Centrally cleared OTC contracts	Over-the-counter derivatives that are cleared through a central clearinghouse, which intermediates between counterparties to mitigate counterparty credit risk
Counterparty	Any individual, institution, or legal entity that participates in a financial transaction with another party. In most financial agreements, there are at least two counterparties: one that buys and one that sells, or one that lends and one that borrows
Currency Forward	An agreement to exchange a specific amount of one currency for another at a predetermined exchange rate on a future date.
Currency Hedge Manager	External investment manager retained to manage passive global equity currency hedge – currently BlackRock
Currency/Exchange Rate Risk	Potential for financial loss resulting from fluctuations in exchange rates between fund's local currency and the currencies in which its underlying assets are denominated
Currency Weights	The market capitalization weights of the MSCI World ex-U.S. IMI USD Index, aggregated by each individual currency.
Exchange Traded Futures	Standardized financial contracts to buy or sell an asset at a predetermined price on a future date, traded on regulated exchanges such as the Chicago Mercantile Exchange (CME) or Intercontinental Exchange (ICE)
Exchange Traded Notes	Unsecured debt securities that trade on an exchange and provide returns linked to the performance of an underlying index or benchmark, subject to issuer credit risk
Fully Collateralized	A financial obligation that is secured by sufficient collateral (cash and cash equivalents) to cover its full value in the event of default. The value of the collateral is at least equal to, or greater than, the face value of the obligation

Glossary of Terms (continued)

Term	Definition
Futures Contract	Agreement to buy or sell a specific amount of a commodity or financial instrument at a particular price on a stipulated future date
International Holdings	Developed equity asset holdings of the Global Public Equity portfolio within the Growth Functional Asset Category
Notional Exposure	Total market value of a position controlled through derivatives (e.g., futures), which may exceed the actual cash invested
Office of Foreign Assets Control ("OFAC")	A division of the U.S. Department of the Treasury that administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals
Repurchase Agreements	Short-term, collateralized loan where one party sells securities – typically U.S. treasuries or agency MBS – to another party while simultaneously agreeing to buy them back later at a higher, pre-specified price
Tracking Error	The volatility of a manager's excess return. It is measured by subtracting the benchmark return from the manager's return and calculating the standard deviation

ATTACHMENT 2

MEKETA

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MEMORANDUM

TO: LACERA Board of Investments
FROM: Tim Filla, Aysun Kilic, Alex Khorsandian, Imran Zahid, Meketa
CC: Jon Grabel, CIO - LACERA
DATE: April 23, 2026
RE: Total Fund Cash Equivalents, Cash Overlay, and Currency Hedge Investment Guidelines

Background

The purpose of this memo is for Meketa Investment Group to formalize its support for Staff's recommendation to approve the proposed Investment Guidelines for the Total Fund's Cash Equivalents, Cash Overlay, and Global Equity Currency Hedge programs.

Evaluation of Recommendation

The guidelines are well-constructed, consistent with LACERA's Investment Policy Statement and Strategic Asset Allocation and align with the established governance framework previously approved for other Total Fund functional categories.

The proposed guidelines follow the same governance process used for previously approved investment guidelines across the Growth, Credit, Real Assets and Inflation Hedges, and Risk Reduction and Mitigation functional categories. Cash Equivalents are appropriately designated within the Risk Reduction and Mitigation functional category, while the Cash Overlay and Global Equity Currency Hedge programs fall within the Overlays and Hedges functional category, consistent with the Board-approved SAA.

The guidelines are also consistent with the Total Fund's policy benchmarks and risk controls, and appropriately reflect the operational realities of managing liquidity, rebalancing, and derivative exposures at the Total Fund level.

Cash Equivalents

The proposed Cash Equivalents guidelines emphasize capital preservation, liquidity, and operational support for the Total Fund. Key elements—including the use of high-quality US government securities, strict maturity limits, daily and weekly liquidity thresholds, and a prohibition on leverage—are consistent with best practices for institutional cash management. Meketa believes the guidelines strike an appropriate balance between maintaining liquidity and minimizing long-term cash drag.

Cash Overlay

The Cash Overlay guidelines reflect the program's role as a passive, futures-based overlay designed to improve portfolio efficiency, manage cash balances, and support policy-aligned rebalancing. The permissible instruments, margin and collateral provisions, and leverage restrictions are consistent with the Fund's existing derivative usage and applicable regulatory requirements.

Importantly, the overlay invests only in unallocated cash above the 1% policy allocation, ensuring that it enhances portfolio efficiency without introducing incremental leverage at the Total Fund level. The guidelines appropriately allow flexibility for centrally cleared and bilateral OTC instruments, which is necessary for effective implementation.

Global Equity Currency Hedge

The Global Equity Currency Hedge guidelines clearly define the program's objective of providing a 50% passive hedge of non-US equity currency exposure relative to the MSCI World ex-US IMI Index. The use of short-dated forward contracts, defined counterparty limits, and systematic monthly rebalancing provides a disciplined and transparent framework for managing currency risk. Meketa concurs that the guidelines appropriately balance risk reduction with implementation simplicity.

Conclusion

Overall, Meketa believes the proposed Investment Guidelines are thoughtfully designed and are consistent with LACERA's long-term Total Fund objectives. The guidelines provide clear parameters for implementation and risk management while preserving necessary operational flexibility.

Accordingly, Meketa concurs with staff's recommendation and supports approval of the proposed Investment Guidelines for the Cash Equivalents, Cash Overlay, and Global Equity Currency Hedge programs.

If you have any questions or would like additional information, please email or call us at (760) 795-3450.

TF/AK/AK/IZ/sf

LACERA

March 24, 2026

TO: Trustees – Board of Investments

FROM: Esmeralda del Bosque
Principal Investment Officer

FOR: April 8, 2026 Board of Investments Meeting

SUBJECT: **Cash Equivalents, Cash Overlay, and Currency Hedge - Total Fund and OPEB Master Trust Overview**

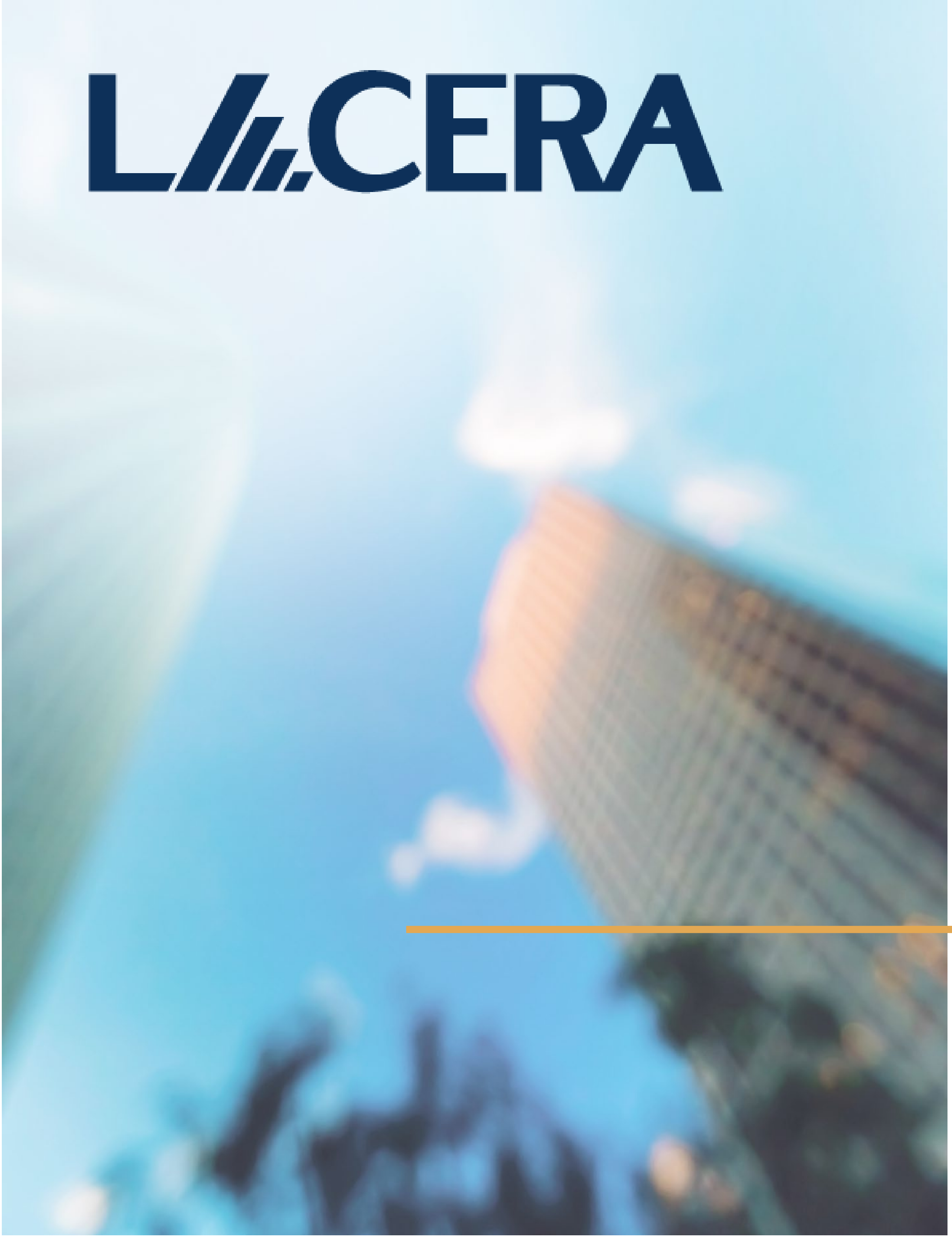
The attached presentation provides an overview of the cash equivalents, cash overlay, and currency hedge programs in advance of formal investment guideline recommendations to be presented to the Board of Investments ("BOI") in a future BOI meeting **(Attachment)**.

The presentation reviews each program's objectives and summarizes their operations, evolution, and high-level results in supporting overall total plan effectiveness. The purpose of this presentation is to provide Trustees with a further understanding of the intent and function of these programs ahead of bringing formal guideline considerations.

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer



ATTACHMENT

Cash Equivalents, Cash Overlay, and Currency Hedge -
Total Fund and OPEB Master Trust Overview

Board of Investments Meeting

April 8, 2026

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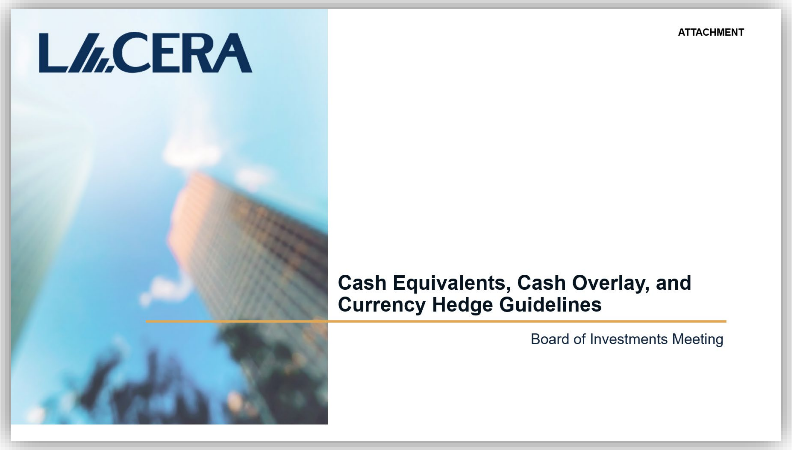
Introduction

Objective

Provide education and context on the total Fund and OPEB Master Trust cash equivalents, cash overlay, and currency hedge programs in advance of formal investment guideline recommendations to be brought to a future Board of Investments ("BOI") meeting[1]



Today's presentation will cover:

Roles and Function:

Review the objectives of the cash equivalents, cash overlay, and currency hedge programs

Program Overview:

Summarize program operations, evolution, and high-level results in supporting total plan effectiveness

Next Steps:

Outline upcoming actions and milestones

[1] The total Fund and OPEB Master Trust Investment Policy Statements identify cash equivalents as "Cash". Cash equivalents is a more representative name for the cash asset category.

Timeline

Cash Equivalents

2010

Passive 50% developed markets **currency hedge initiated** for the global equity allocation

2019

Total Fund passive **cash overlay** program implemented

2020

Cash equivalents mandate updated to support business continuity

2021

Total Fund SAA added Overlays and Hedges as the **5th functional category**

2024

OPEB Master Trust SAA added Overlays and Hedges as the **5th functional asset category**

2025

Completed **passive cash overlay request for proposal (RFP)**

BOI Education on Overlay and Hedges

2026

Propose **guidelines for cash equivalents, cash overlay, and currency hedge** programs in future BOI meeting

Cash Overlay and Currency Hedge

Meeting Link: Board of Investments | June 11, 2025 – YouTube Timestamp: 28:25

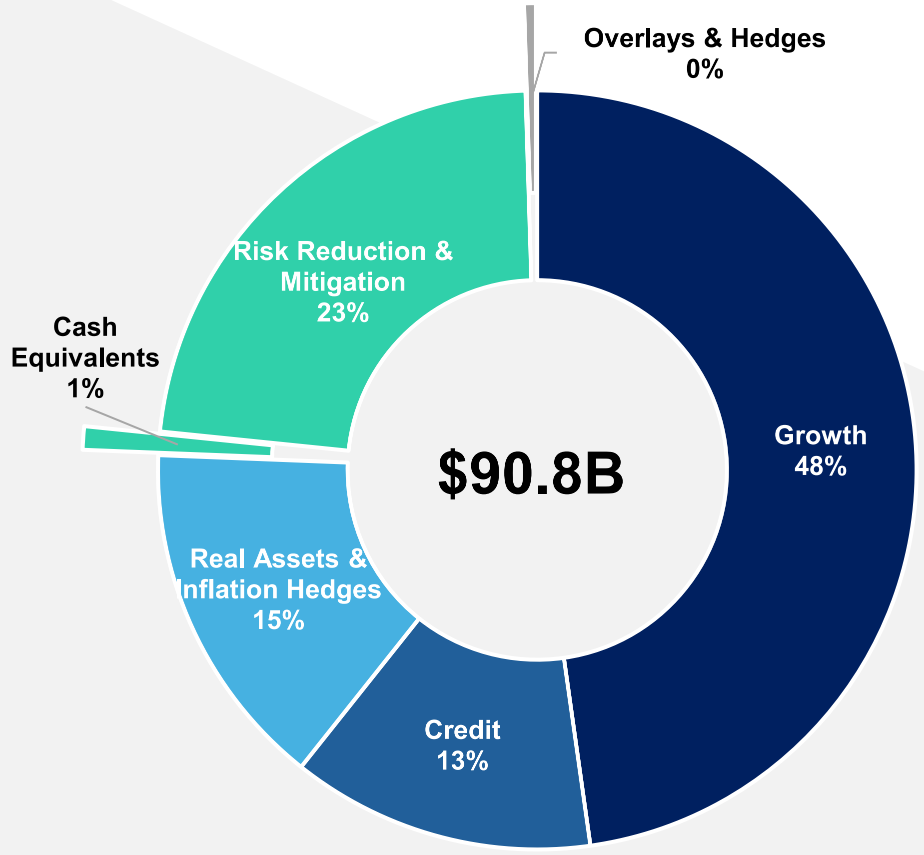
Program Roles

Functional Category	**Risk Reduction and Mitigation**	**Overlays and Hedges**	
Program	**Cash Equivalents**	**Cash Overlay**[1]	**Global Equity Currency Hedge**[2]
Objectives	• As the least volatile asset class, cash equivalents provides stability and risk mitigation for the total Fund • Primary source of liquidity • Supports portfolio activity and operational needs	Increase portfolio efficiency: • Adhere to the SAA functional category policy target weights • Reduce tracking error Strategically manage cash equivalent balances: • Minimize drag on returns (cash drag) • Maintain liquidity for cash flow and operational needs	• Minimize active non-U.S. equity markets exchange rate risk relative to the index • Improve risk-adjusted results by reducing volatility from currency exposure • Preserve returns by protecting against currency depreciation

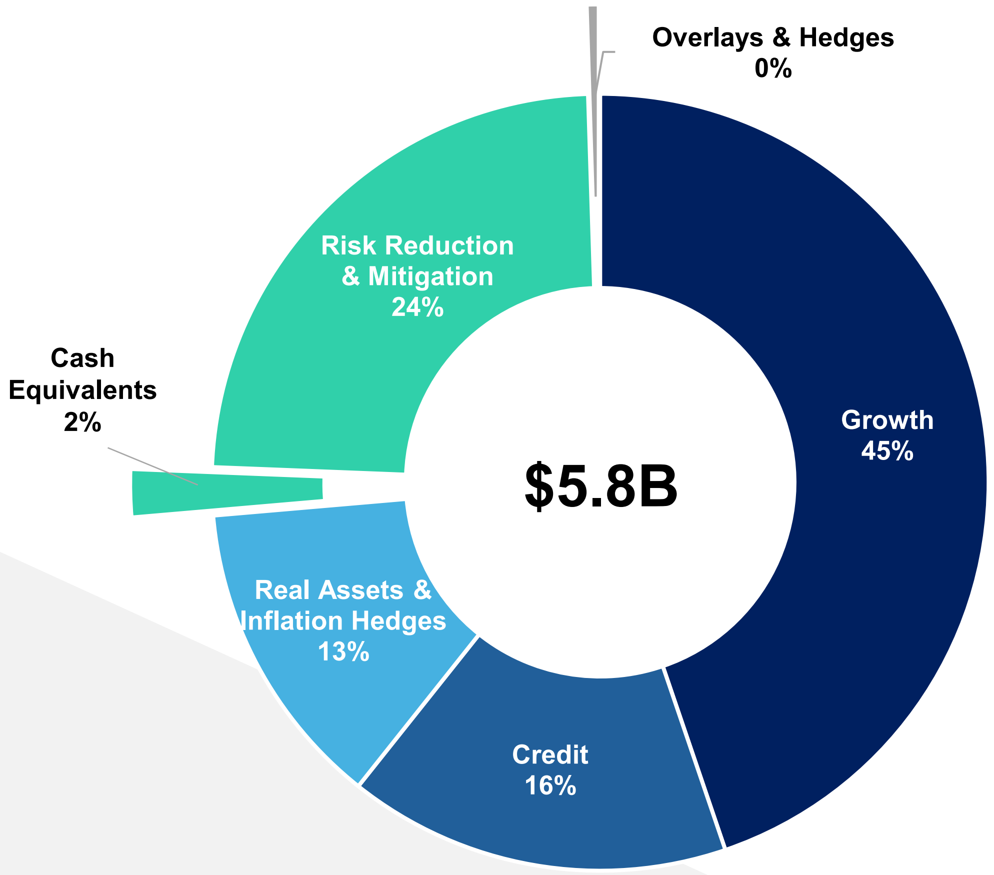
[1] Board-approved; pending OPEB Master Trust implementation

[2] Applicable to the total Fund

Strategic Asset Allocation – Policy Targets



Total Fund



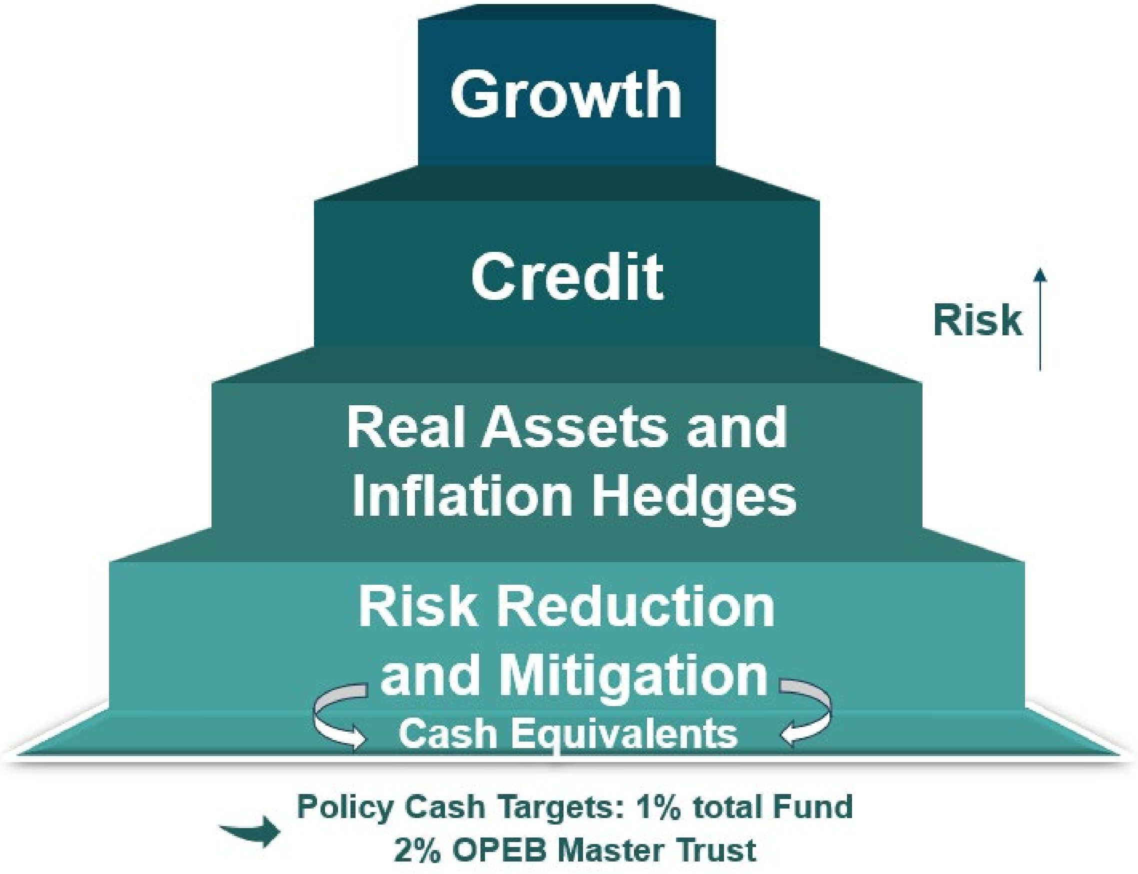
OPEB Master Trust

Reflects total Fund and OPEB Master Trust policy targets and market values as of January 31, 2026

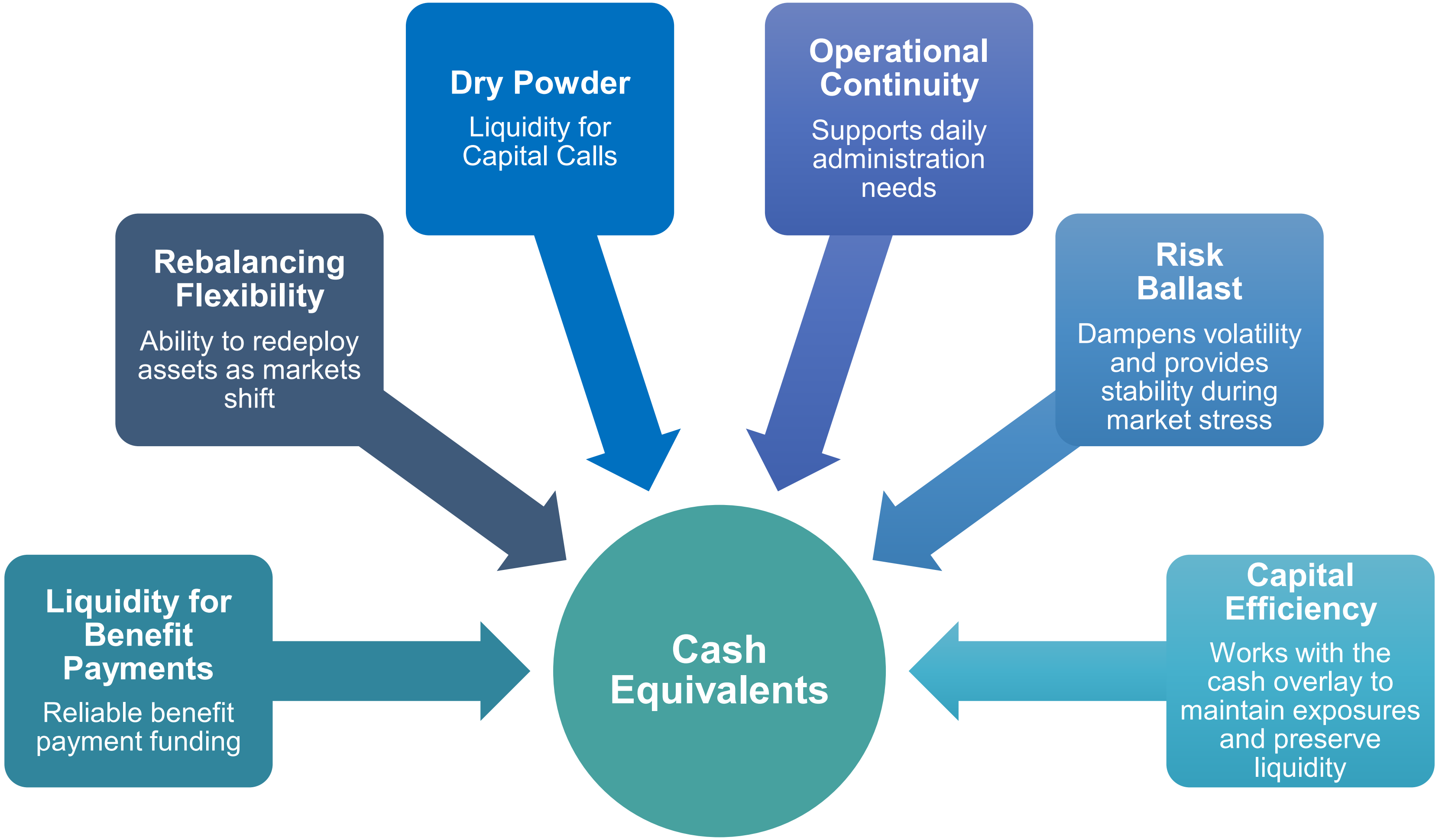
Review: Cash Equivalents

LACERA's Cash Equivalents Program

Cash equivalents is a foundational element of each plan, serving as a key risk mitigator, diversifier, and the operational backbone supporting all asset classes

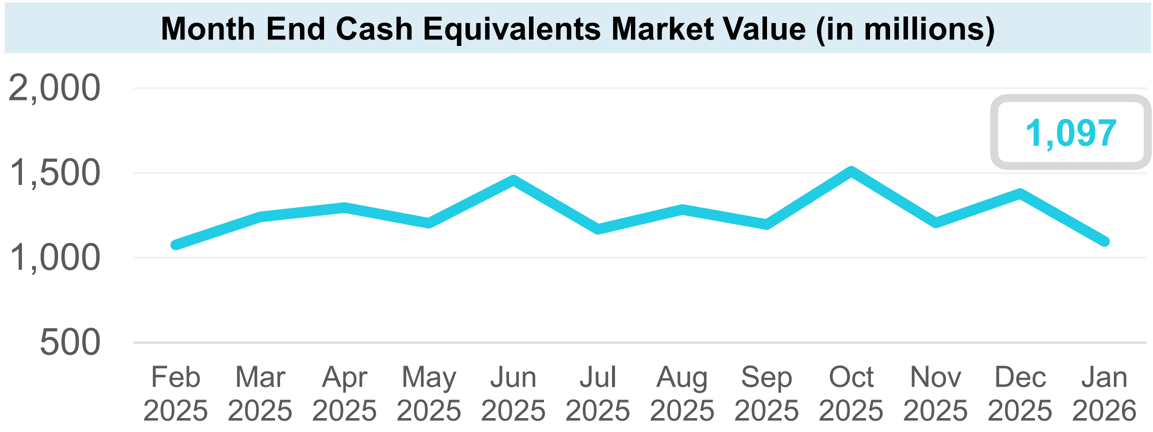


The Strategic Importance of Cash Equivalents

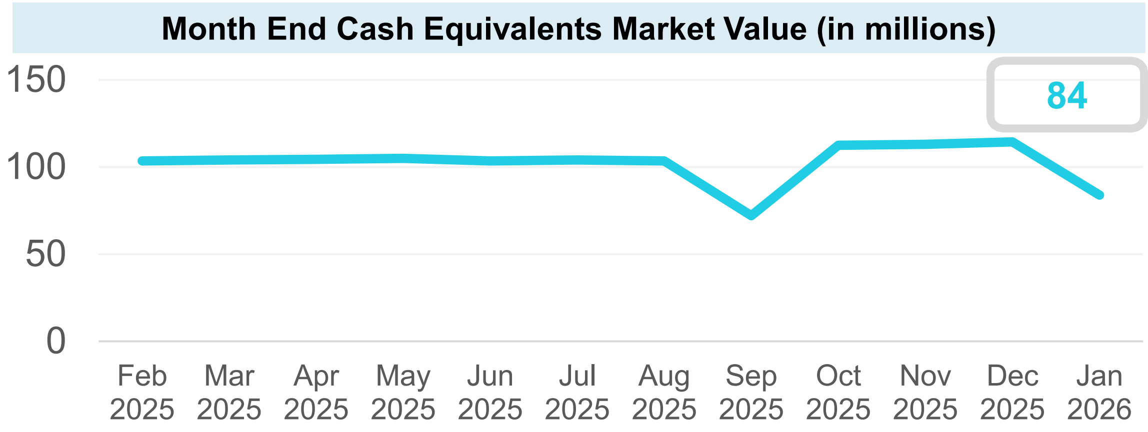


Cash Equivalents – Program Characteristics

Total Fund



OPEB Master Trust



Characteristics	Total Fund and OPEB Master Trust
Assets Liquid within 1 Day	100%
Asset Quality	90%+ S&P rating A or above
Cash and Cash Equivalent Exposures	U.S. Treasury, U.S. Agency, including repurchase agreements
Country	~90% U.S.

Inception Date: June 2001 total Fund/February 2013 OPEB Master Trust; Results are as of January 2026

Observations

Total Fund and OPEB Master Trust Cash Equivalents:

- Maintains sufficient balances to support portfolio and operational needs
- Invests in liquid, high-quality, short-term investments
- Serves as the most liquid and least volatile asset

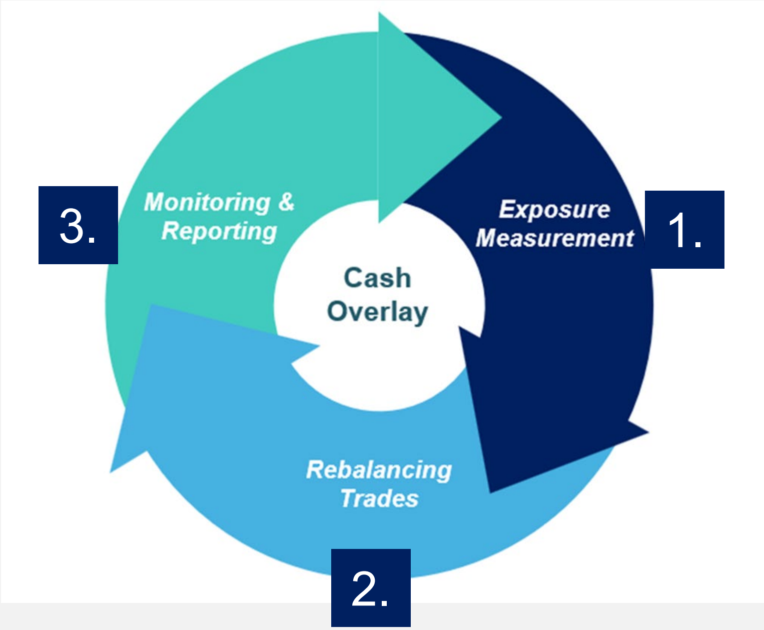
Next steps

- Cash equivalents investment guideline recommendations will be presented at a future BOI meeting

Review: Cash Overlay

Cash Overlay Program Overview

The cash overlay process is implemented in **three** steps:



In alignment with LACERA's Investment Beliefs, the overlay complements the cash allocation by **supporting rebalancing *and* adherence to the Board-approved SAA**

Monthly

Rebalance monthly or as necessary in accordance with the SAA:

Primary Objective
Maintain cash levels to cover at least three months of benefit payments

Secondary Objective
Adjust portfolio asset allocations to policy target weights

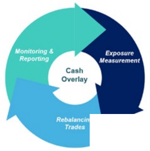
Daily

The cash overlay manager monitors functional category weights:

Primary Objective
Recalibrate allocation drift due to market movements

Secondary Objective
Minimize cash drag

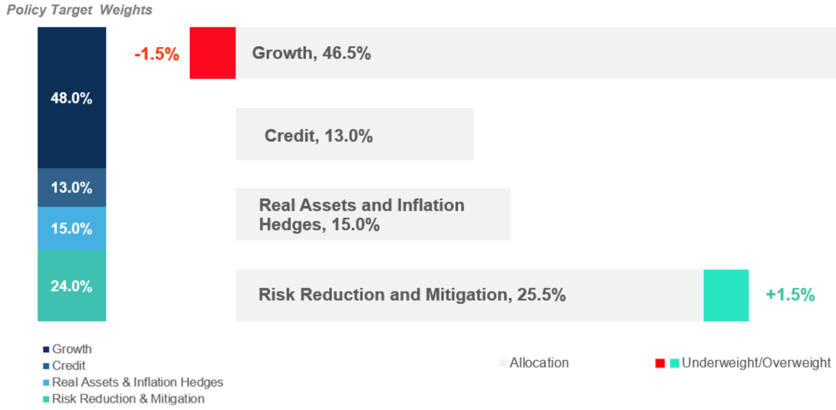
Cash Overlay Program – Implementation



1. Measure Exposures

Exposure Example

Growth is Underweight 1.5%, or $600 mm
Risk Reduction and Mitigation is Overweight 1.5%, or $300 mm



2. Rebalancing Trades

The overlay manager utilizes **exchange-traded futures** to replicate the risk/return profile of each functional asset category

Exposures are cash-backed and **fully collateralized**; no leverage is employed

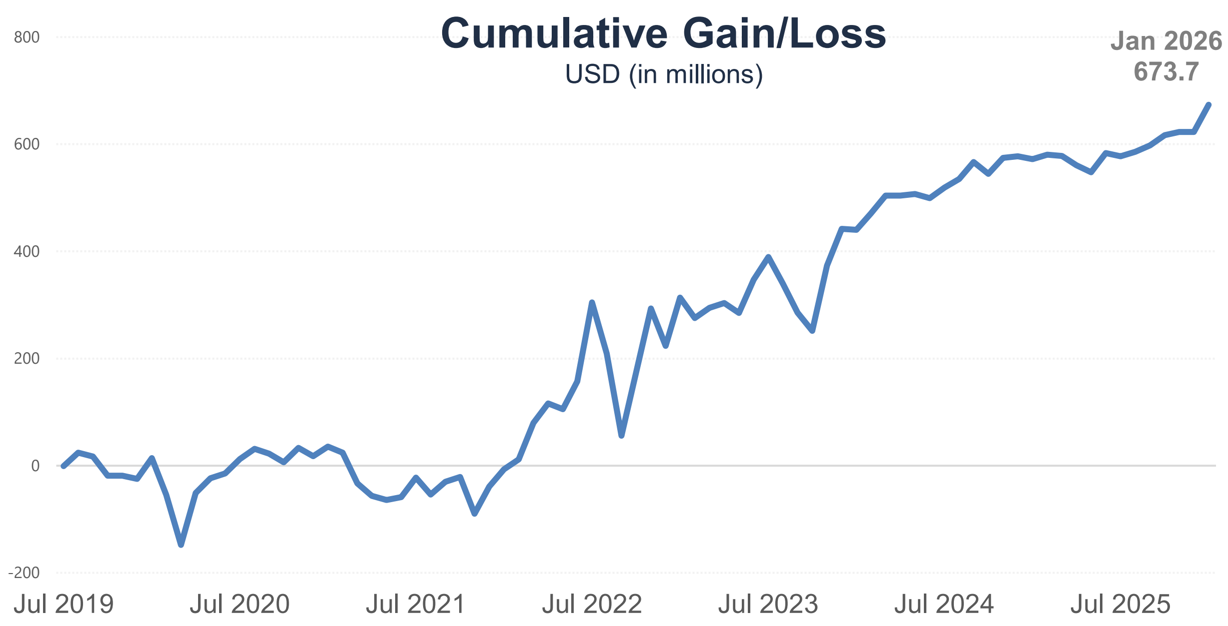
Exchange-Traded Futures Used

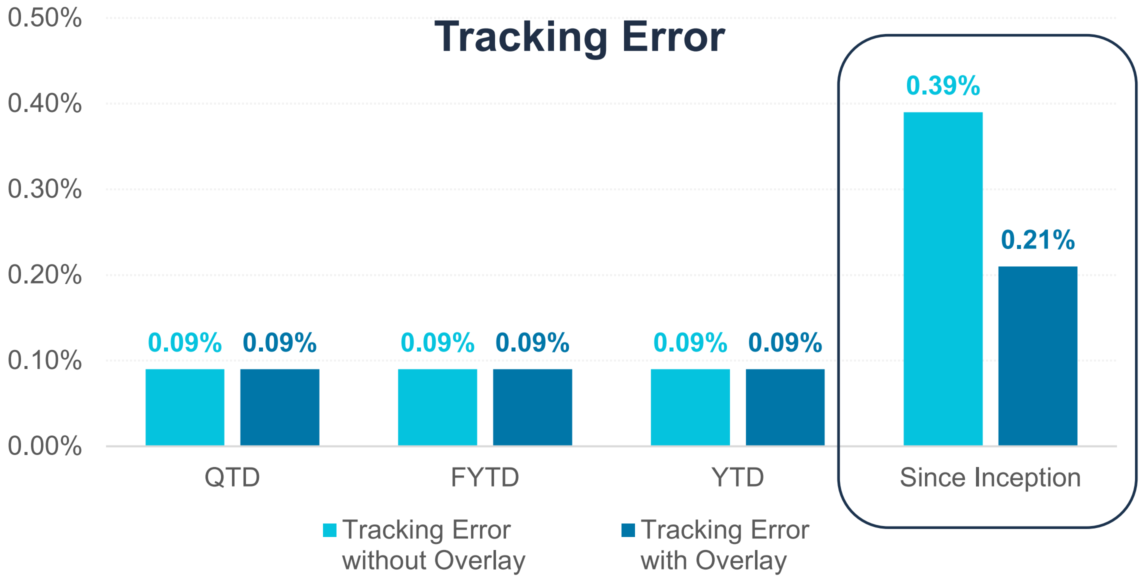
3. Ongoing Monitoring and Reporting

Exposure Review	**Guideline Compliance**
Risk Measurement	**Reporting**

Daily/ Monthly

Program Results
Cash Overlay Program





	Total Gain/Loss USD (in millions)
QTD	50.6
YTD	50.6
FYTD	90.4
Since Inception	**673.7**

Inception Date: July 2019; Results are as of January 2026

Observations

The cash overlay has achieved its total Fund program objectives

Since inception, it has:

- Reduced tracking error by approximately 50%
- Earned $674 million in gains, thereby reducing cash drag

Next steps

- Completed passive cash overlay RFP in 4Q2025
- Working with cash overlay manager to:
  - Enhance total Fund implementation to further reduce tracking error
  - Implement a cash overlay program for the OPEB Master Trust
- Propose cash overlay guidelines at a future BOI meeting

Review: Global Equity Currency Hedge

Program Review
Global Equity Currency Hedge

Objective

- Minimize exchange rate risk in non-U.S. markets.
- Improve risk-adjusted returns by reducing currency volatility
- Reduce currency risk while maintaining diversification benefits of global stocks

Implementation

- **Strategy:** 50% hedge on developed market currencies
  - No hedge on emerging markets due to high costs
- **Manager:** External passive currency overlay manager
- **Hedging Instruments:** Currency forwards for cost-effective hedging
- **Rebalancing:** Monthly (90-day currency forwards with 1/3rd rolled monthly)

Risk Management & Reporting

- **Diversification:** Six approved counterparties
- **Exposure Limits:** 33% per counterparty
- **Contract Maturities:** Limited to 110 days
- **Hedged amount:** $3.9 billion
  - 49.3% of Non-US Developed Markets portfolio ($7.9 billion)
- **Reporting:** Monthly updates to LACERA
  - Forward positions
  - Account performance
  - Counterparty information

Implementation

Global Equity Currency Hedge

1. Determine Developed Markets investment exposure as of month-end

2. Send Developed Markets investment exposure to currency hedge manager to update hedged exposures

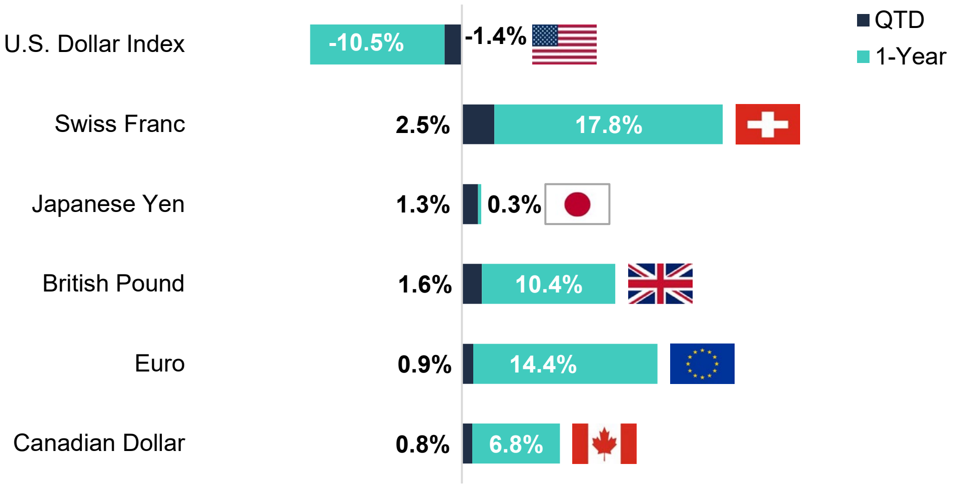
3. Manager updates exposures, rolls one-third of currency forward contracts, and calculates gains/losses

4. LACERA receives cash inflows when USD appreciates and incurs cash outflows when USD depreciates

Program Results
Global Equity Currency Hedge

Cumulative Gain/Loss
USD (in millions)

Currency Performance



Total Gain/Loss
USD (in millions)

	Total Gain/Loss USD (in millions)
QTD	22.5
YTD	22.5
FYTD	22.3
Since Inception	**1,646.9**

Observations

The currency hedge has achieved its total Fund program objectives

Since inception, it has:

- Minimize active non-U.S. developed market equity exchange rate risk
- Earned $1.65 billion in gains, thereby improving risk-adjusted returns

Next steps

- Propose global equity currency hedge guidelines at a future BOI meeting

Inception Date: August 2010; Results are as of January 2026

Summary and Next Steps

Summary

The cash equivalents, cash overlay, and currency hedge programs have:

Assisted in adhering to total Fund policy allocation targets → ***Met asset class-specific objectives*** → ***Manage portfolio risk***

Since inception, the cash overlay and currency hedge programs have resulted in ~$2.3 billion in gains to LACERA's total Fund

Next Steps

1. In 4Q2025, LACERA completed an RFP for a passive cash overlay manager
   - The incumbent provider was retained for the total Fund and was hired to implement and manage a cash overlay program for the OPEB Master Trust
   - Design and implementation for the OPEB Master Trust program is underway as well as enhancements to the total Fund

2. Investment Guidelines for the cash equivalents, cash overlay, and currency hedge programs will be presented at a future BOI meeting

Appendix

Glossary

Term	Definition
Cash Drag	The negative impact on portfolio performance of holding cash in-lieu of investing it.
Cash Equivalents	Short-term, highly liquid investments that can be readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. Typically have an original maturity date of three months or less.
Counterparty	Any individual, institution, or legal entity that participates in a financial transaction with another party. In most financial agreements, there are at least two counterparties: one that buys and one that sells, or one that lends and one that borrows.
Currency Forward	An agreement to exchange a specific amount of one currency for another at a predetermined exchange rate on a future date.
Currency/Exchange Rate Risk	Potential for financial loss resulting from fluctuations in exchange rates between fund's local currency and the currencies in which its underlying assets are denominated.
Exchange-Traded Futures	Standardized financial contracts to buy or sell an asset at a predetermined price on a future date, traded on regulated exchanges such as the Chicago Mercantile Exchange (CME) or Intercontinental Exchange (ICE).
Fully Collateralized	A financial obligation that is secured by sufficient collateral (cash and cash equivalents) to cover its full value in the event of default. The value of the collateral is at least equal to, or greater than, the face value of the obligation.
Futures Contract	Agreement to buy or sell a specific amount of a commodity or financial instrument at a particular price on a stipulated future date.
Repurchase Agreements	Short-term, collateralized loan where one party sells securities – typically U.S. treasuries or agency MBS – to another party while simultaneously agreeing to buy them back later at a higher, pre-specified price.
Tracking Error	The volatility of a manager's excess return. It is measured by subtracting the benchmark return from the manager's return and calculating the standard deviation.

Sample Manager Reports

Cash Overlay

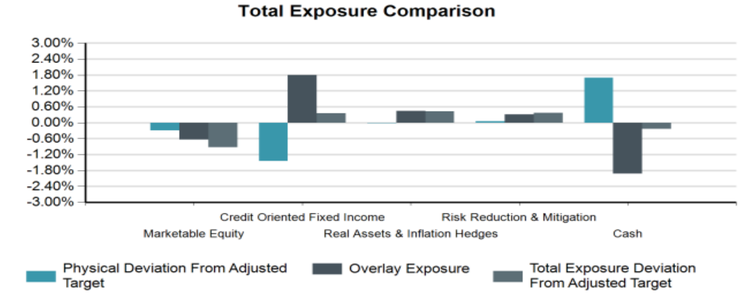
Parametric Overlay Solutions Performance Summary - 3/31/2025
Los Angeles County Employees Retirement Association - Main

Relationship Inception Date: 7/30/2019
Base Currency: USD

PARAMETRIC

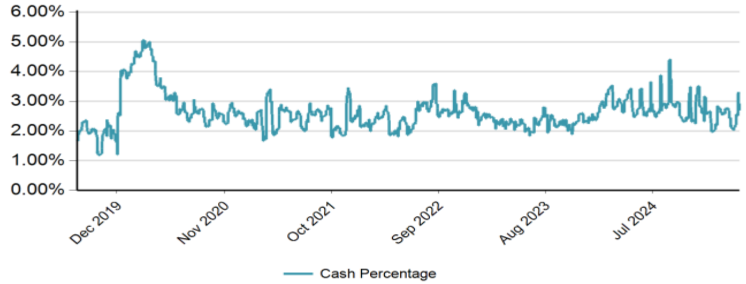
Month End Exposure

Daily Parametric Overlay Solutions reporting captures an estimate of the physical exposures of the fund. The Total Exposure Comparison provides a graphical representation of how the program effectively reduces deviations from fund target allocation.



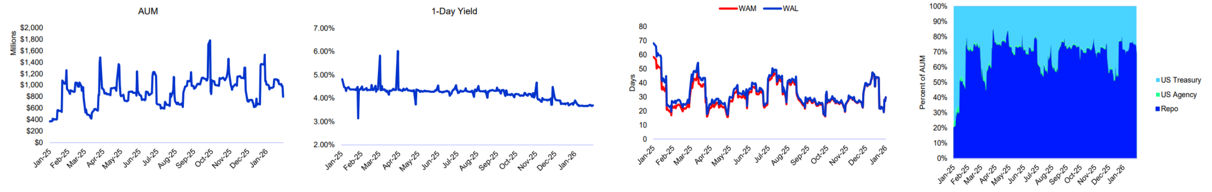
Cash Exposure

One of the primary goals of Parametric Overlay Solutions is to reduce expected cash drag while maintaining access to "on demand" liquidity. The cash exposure graph is a historical depiction of cash levels within the fund. The table illustrates the effect of the overlay program by comparing active cash exposures versus effective cash exposures with the overlay project in place.



STATE STREET INVESTMENT MANAGEMENT

Cash Equivalents Report



Global Equity Currency Hedge

As of 31 March 2025

LACERA Currency Hedge Strategy Characteristics

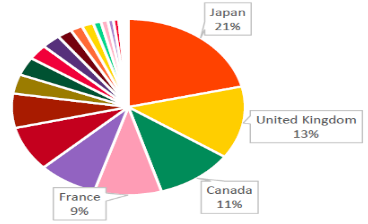
Fund information

Benchmark	MSCI World ex US IMI Index 50% Hedged to USD
Total fund value	$6.72B
Number of securities in fund	3,008
Number of securities in benchmark	3,008

Top 10 holdings

	Country	Weight (%)
SAP	Germany	1.25%
NESTLE SA	Switzerland	1.20%
ASML HOLDING NV	Netherlands	1.17%
ROCHE HOLDING PAR AG	Switzerland	1.04%
ASTRAZENECA PLC	United Kingdom	1.02%
SHELL PLC	United Kingdom	1.00%
NOVO NORDISK CLASS B	Denmark	0.99%
NOVARTIS AG	Switzerland	0.99%
HSBC HOLDINGS PLC	United Kingdom	0.99%
SIEMENS N AG	Germany	0.79%

Country allocation (%)



Japan	21.22%	Singapore	1.61%
United Kingdom	13.33%	Israel	1.09%
Canada	10.84%	Belgium	0.95%
France	9.29%	Norway	0.77%
Switzerland	8.22%	Finland	0.75%
Germany	8.21%	United States	0.38%
Australia	6.31%	Austria	0.29%
Netherlands	3.55%	Ireland	0.27%
Sweden	3.34%	New Zealand	0.21%
Italy	2.77%	Portugal	0.16%
Spain	2.63%		
Denmark	2.06%		
Hong Kong	1.68%		

Fund inception date 31 July 2010
Data is used for analytical purposes only. Breakdowns may not sum to 100 percent due to rounding, exclusion of cash, STIF and statistically immaterial factors. Portfolio holdings are subject to change and are not intended as a recommendation of individual securities.
Sources: BlackRock, MSCI Inc.

BlackRock. FOR USE WITH LACERA ONLY – PROPRIETARY AND CONFIDENTIAL 28

Developed International Equity Valuations
3/31/2025

BLACKROCK

LACERA MSCI World Ex-US IMI Currency Hedge

Previous Month-End Value	2/28/2025	6,717,166,629
Benchmark Period Return		
MSCI World ex-US IMI Index Return	3/31/2025	(0.4130)
		ESTIMATE
Projected Current Month-End Value	3/31/2025	6,689,423,884