

MINUTES OF THE REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

9:00 A.M., WEDNESDAY, FEBRUARY 10, 2016

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Joseph Kelly, Secretary

Diane Sandoval

Herman B. Santos

Michael Schneider

Kenneth Simril

Estevan Valenzuela

Valerie Villarreal

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Vache Mahseredjian, Interim Chief Investment Officer

Steven Rice, Chief Counsel

Christopher J. Wagner, Principal Investment Officer – Private Equity

David Chu, Investment Officer – Private Equity

David Simpson, Investment Officer – Private Equity

Shelly Tilaye, Sr. Investment Analyst – Private Equity

James Rice, Senior Investment Officer – Hedge Funds

STAFF ADVISORS AND PARTICIPANTS (Continued)

John D. McClelland, Principal Investment Officer – Real Estate

Ted Wright, Principal Investment Officer – Equities

Dale Johnson, Investment Officer – Equities

Ron Senkandwa, Sr. Investment Analyst – Equities

Robert Santos, Investment Officer – Fixed Income

Barry W. Lew, Legislative Affairs Officer

Meketa Investment Group

Stephen McCourt, Managing Principal

Leandro Festino, Managing Principal

Laura Wirick, Principal

Grosvenor Capital Management

David Almodovar, Principal

I. CALL TO ORDER

The meeting was called to order a 9:15 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. Schneider led the Board Members and staff in reciting the Pledge of Allegiance.

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of January 13, 2016.

Ms. Sandoval made a motion, Mr. Santos seconded, to approve the minutes of the regular meeting of January 13, 2016. The motion passed unanimously.

IV. REPORT ON CLOSED SESSION ITEMS

There was nothing to report.

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Mahseredjian reserved his comments for the discussion on Agenda

Item IX.A Fund Performance Review as of December 31, 2015.

VII. CONSENT ITEMS

Ms. Sandoval made a motion, Mr. Schneider seconded, to approve Consent Items A and B. After a brief discussion, Mr. Santos requested Consent Item A be pulled from the Consent Agenda for further discussion.

Mr. Valenzuela made a substitute motion, Ms. Sandoval seconded, to open Consent Item A for further discussion and approve Consent Item B. The motion passed unanimously.

After a brief discussion, Mr. Valenzuela made a motion, Ms. Sandoval seconded, to approve Consent Item A and requested that future conferences be placed on the Non-Consent Agenda when waiving a Policy requirement.

The makers of the motion amended their motion to include that any exceptions to the LACERA's Education and Travel Policy will be delineated to the Board by the Board Secretary. The motion passed (roll call) with Messrs. Kehoe, Kelly, Schneider, Simril, Valenzuela, Green, Ms. Sandoval and Ms. Villarreal voting yes; and Mr. Santos voting no.

VII. CONSENT ITEMS (Continued)

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board (1) Approve attendance of Board members to attend The Women in Institutional Investments Network Luncheon: Sustainable Investing, Governance, and Diversity – An Institutional Perspective on March 11, 2016 at the Luxe City Center in Los Angeles, CA and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy; and (2) waive the Education and Travel Policy section 705.00 Educational Content Requirement requiring the seminar to contain an average of five hours of substantive content per day (Memo dated January 29, 2016) (Placed on the agenda at the request of Mr. Kelly)

- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members to attend the 57 Stars' Annual General Meeting on March 10 – 11, 2016 in Washington DC, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated February 4, 2016) (Placed on the agenda at the request of Mr. Santos)

VIII. NON - CONSENT AGENDA

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board authorize the Chief Executive Officer to engage a consultant to assist the Board of Investments explicitly stating its Investment Beliefs with the consulting agreement subject to approval by LACERA legal counsel.
(Memo dated February 1, 2016)

Mr. Rademacher was present to answer questions from the Board.

Mr. Valenzuela made a motion, Ms. Sandoval seconded, to approve staff's recommendation. The motion passed unanimously.

- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve the following:

VIII. NON - CONSENT AGENDA (Continued)

1. Approve Investment Program Governance discussion plan in general form.
2. Authorize the Chief Executive Officer to engage one or more consultants to assist the Board of Investments with defining its Investment Program Governance, with the consulting agreement subject to approval by LACERA legal counsel.
3. Provide direction to the Board's general investment consultant on communication protocols and direct staff to document such protocols for distribution to Board and consultant.
4. Engage in general discussion and possible action concerning the investment program governance structure.

(Memo dated February 1, 2016)

Mr. Rademacher was present to answer questions from the Board.

Ms. Sandoval made a motion, Mr. Kelly seconded, to approve staff's recommendation with amended verbiage to VIII.B.3. The motion passed unanimously.

- C. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board approve and authorize staff to work with LACERA's legislative advocate to submit appropriate amendments to SACRS – sponsored legislation permitting 1937 Act county employees retirement systems to assume status as independent districts. (Memo dated February 1, 2016)

Mr. Lew was present to answer questions from the Board.

Mr. Kehoe made a motion, Mr. Santos seconded, to approve staff's recommendation. The motion passed unanimously.

VIII. NON - CONSENT AGENDA (Continued)

- D. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board approve the ballot entitled “Powers and Duties of Investment Board Members” to be included with the ballot materials for the election of the Fourth Member of the Board of Investments. (Memo dated February 1, 2016)

Mr. Rice was present to answer questions from the Board.

Mr. Schneider made a motion, Mr. Valenzuela seconded, to approve staff's recommendation.

Mr. Kehoe made a substitute motion, Mr. Schneider seconded, to amend the Statement of Powers and Duties of Investment Board Member to include verbiage regarding committee structure and to add approximately two hours for each committee meeting.

After a brief discussion, Mr. Schneider withdrew his second.

Mr. Kehoe amended his substitute motion, Mr. Santos seconded, to revise the Board of Investments meeting time lasting from 4 to 6 to 6 to 8 hours and add 1 to 2 hours meeting time for the Committee meetings and to include verbiage regarding committee structure. The motion passed unanimously.

- E. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board approve the revised Policy Governing the Use of Open and Closed Sessions to Consider the Purchase and Sale of Particular, Specific Investments. (Memo dated February 2, 2016)

Ms. Sandoval made a motion, Mr. Kelly seconded, to approve staff's recommendation. The motion passed with Mr. Valenzuela voting no.

VIII. NON - CONSENT AGENDA (Continued)

- F. Recommendation as submitted by Dale Johnson, Investment Officer – Equities: That the Board provide staff with direction on the Council of Institutional Investors Board of Directors nomination.
(Memo dated January 28, 2016)

Mr. Santos made a motion, Mr. Kehoe seconded, to nominate Dale Johnson to the Council of Institutional Investors Board of Directors. The motion passed unanimously.

- G. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board review the 2016 meeting calendar and reschedule meeting dates as needed.
(Memo dated January 25, 2016)

After a brief discussion, Mr. Santos made a motion, Mr. Schneider seconded, to (1) Reschedule the May 11, 2016 Board of Investments meeting to Tuesday, May 10, 2016; and to (2) Reschedule the November 9, 2016 Board of Investments meeting to Monday, November 7, 2016. The motion passed unanimously.

IX. REPORTS

- A. Fund Performance Review as of December 31, 2015
Wilshire Associates Performance Report as of December 31, 2015
Vache Mahseredjian, Interim Chief Investment Officer

Mr. Mahseredjian, Mr. Wright, Mr. Johnson and Mr. Senkandwa

provided an executive summary on the fund's performance for the fourth quarter of 2015.

IX. REPORTS (Continued)

- B. GW Capital Termination and Transfer of Assets
Robert Santos – Investment Officer, Fixed Income
(Memo dated January 27, 2016) (For Information Only)
- C. OPEB Trust Quarterly Report as of December 31, 2015
Ted Wright – Principal Investment Officer, Global Equities
(Memo dated January 28, 2016) (For Information Only)
- D. Risk Parity Update
James Rice – Senior Investment Officer, Hedge Funds
(Memo dated January 28, 2016) (For Information Only)
- E. State Street – Securities and Exchange Commission Settlement
James Rice – Senior Investment Officer, Hedge Funds
(Memo dated January 28, 2016) (For Information Only)

Mr. Kelly requested additional information related to State Street's settlement with the Securities Exchange Commission.

- F. CVC Capital Partners Update
Christopher J. Wagner – Principal Investment Officer, Private Equity
(Memo dated February 1, 2016) (For Information Only)
- G. Semi-Annual Interest Crediting for Reserves as of December 31, 2015
Beulah S. Auten, Chief Financial Officer
(Memo dated January 27, 2016) (For Information Only)
- H. Human Resources Compliance Audit – Liebert Cassidy Whitmore
Richard Bendall, Chief Audit Executive
Darla Vidger, Internal Auditor
(Memo dated January 26, 2016)
(Report: Attorney-Client Privilege/Confidential) (For Information Only)
- I. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(Memo dated February 1, 2016) (For Information Only)

IX. REPORTS (Continued)

- J. Chief Executive Officer's Report
(Memo dated February 2, 2016) (For Information Only)

X. EXECUTIVE SESSION

- A. Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments
(Pursuant to California Government Code Section 54956.81)

1. Lightyear Capital IV, L.P.

Mr. Wagner, Mr. Simpson and Grosvenor Capital Management

consultant provided a brief presentation and answered questions from the Board.

Mr. Santos made a motion, Mr. Simril seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Kehoe, Kelly, Schneider, Santos, Simril, Valenzuela, Green, Ms. Sandoval and Ms. Villarreal voting yes. The Board's decision and vote were reported out in open session.

2. Union Square Ventures 2016, L.P.

Mr. Wagner, Mr. Chu and Grosvenor Capital Management

consultant provided a brief presentation and answered questions from the Board.

Ms. Villarreal made a motion, Mr. Kehoe seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Kehoe, Kelly, Schneider, Santos, Simril, Green, Ms. Sandoval and Ms. Villarreal voting yes; and Mr. Valenzuela voting no. The Board's decision and vote were reported out in open session.

X. EXECUTIVE SESSION (Continued)

3. Vista Equity Partners Fund VI, L.P.

Mr. Wagner, Ms. Tilaye and Grosvenor Capital Management consultant provided a brief presentation and answered questions from the Board.

Mr. Santos made a motion, Mr. Schneider seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Kehoe, Kelly, Schneider, Santos, Simril, Valenzuela, Green, Ms. Sandoval and Ms. Villarreal voting yes. The Board's decision and vote were reported out in open session.

This Item was handled out of order, after Item XI.

XI. GOOD OF THE ORDER
(For information purposes only)

Mr. Valenzuela commended Mr. Mahseredjian for showing a strong command on a number of important topics.

Mr. Santos addressed his concerns regarding personnel changes at Grosvenor Capital Management and requested that staff look into this matter and report back to the Board.

Ms. Villarreal and Mr. Schneider shared their experience in attending the Upfront Summit in Los Angeles, CA.

Given the focus on governance issues, Mr. Kelly asked the Chair to consider limiting or canceling committee meetings for the next month. In addition, Mr. Kelly, requested Mr. Rice to evaluate the potential for concurrent committee

XI. GOOD OF THE ORDER (Continued)

meetings, as well as the possibility of teleconferencing for committee meeting.

Mr. Rademacher welcomed the Meketa Investment Group. In addition, Mr. Rademacher announced that the Los Angeles County Superior Court is considering establishing an OPEB Trust Fund which would allow it to prefund its Retiree Healthcare Program obligations.

Mr. Green shared his goals for the year, which include finalizing the general investments consultant search, hiring a CIO and addressing delegation and communication issues between the Board, staff and consultants.

This Item was handled out of order, after Item IX. J.

XII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 12:30 p.m.

Green Folder Information (Information distributed in each Board Members Green Folder at the beginning of the meeting)

1. Performance Review Presentation as of December 31, 2015
2. Private Equity Advisor Team Update (For Information Only)
(Memo dated February 4, 2016)

JOSEPH KELLY, SECRETARY

DAVID GREEN, CHAIR