

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, JULY 13, 2016

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Joseph Kelly, Secretary

Diane Sandoval

Herman B. Santos

Michael Schneider

Estevan Valenzuela

Valerie Villarreal

ABSENT: Kenneth Simril

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Vache Mahseredjian, Interim Chief Investment Officer

Steven Rice, Chief Counsel

John McClelland, Principal Investment Officer

Christopher Wagner, Principal Investment Officer

David Chu, Investment Officer

Elin Szymanowski, Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

David Simpson, Investment Officer

James Rice, Senior Investment Officer

Barry W. Lew, Legislative Affairs Officer

Meketa Investment Group

Leandro Festino, Managing Principal

Laura Wirick, Principal

Stacy Gooch, Vice President

Grosvenor Capital Management

David Almodovar, Principal

The Townsend Group

Jennifer Young, Principal

JP Morgan

Laureen Costa, Portfolio Manager

Ashmi Mehrotra, Portfolio Manager

I. CALL TO ORDER

The meeting was called to order at 9:10 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Ms. Sandoval 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 June 8, 2016

Mr. Santos made a motion, Mr. Schneider seconded, to approve the minutes of the regular meeting of June 8, 2016 with the revision to the recommendation for item VIII. J to delete the words “in addition to Board of Retirement approval” and replace them with the words “as proposed in Item 4 of Mr. Kelly's motion, revisions will not be presented to the Board of Supervisors without a joint recommendation from this Board and the Board of Retirement.” 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 provided a brief discussion on the Chief Investment Officer's report.

### VII. NON – CONSENT ITEMS

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the IFEBP International and Emerging Market Investing Program on July 25 – 27, 2016 in San Francisco, CA and approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy. (Memo dated June 16, 2016)  
(Placed on the agenda at the request of Mr. Schneider)

VII. NON – CONSENT ITEMS (Continued)

Mr. Kehoe made a motion, Mr. Santos seconded, to approve the agenda item. The motion passed unanimously.

- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board waive LACERA's Education and Travel Policy Section 705.07 D. 2, and authorize attendance of a fourth member to the 2016 Pacific Pension Institute (PPI) Executive Seminar on October 23 – 25, 2016 and PPI Asia Roundtable on October 26 – 28, 2016 in Hong Kong, China and approve reimbursement of all costs associated with the conference according to LACERA's Education and Travel Policy. (Memo dated June 16, 2016) (Placed on the agenda at the request of Ms. Villarreal)

Mr. Santos made a motion, Mr. Kehoe seconded, to approve the agenda item. The motion passed with Mr. Kelly voting no.

- C. Recommendation as submitted by Meketa Investment Group: That the Board approve updates and enhancements to the Investment Policy Statement. (Memo dated July 13, 2016)

Meketa Investment Group consultants, Ms. Wirick and Mr. Festino, were present to answer questions from the Board.

Mr. Santos made a motion, Mr. Kelly seconded, to receive and file until delivery of the final draft for approval. The motion failed (roll call) with Messrs. Kehoe, Schneider, Valenzuela and Ms. Sandoval voting no; and Messrs. Green, Kelly, Santos, and Ms. Villarreal voting yes.

Mr. Valenzuela made a motion, Mr. Schneider seconded, to adopt Meketa's recommendation with the inclusion of

VII. NON – CONSENT ITEMS (Continued)

the following: (1) other opportunities into asset class tables; (2) language regarding diversity; (3) minimizing the employers contributions and deferring the reasonable costs of the system with the interest of the members and their beneficiaries being paramount; and (4) requesting the CIO to notify the Board when there is a need to move up to 3% of the assets to rebalance the portfolio. The motion passed with Messrs. Kelly and Santos voting no.

- D. Recommendation as submitted by Christopher Wagner, Principal Investment Officer: That the Board approve the four recommended semi-finalist firms and indicate desired level of Board member participation in the remainder of the Private Equity Consultant Search process. (Memo dated July 5, 2016)

Mr. Wagner, Mr. Chu and Ms. Szymanowski provided a brief presentation and answered questions from the Board.

Ms. Sandoval made a motion, Mr. Santos seconded, to approve staff's recommendation with the inclusion of the conflict framework for each firm. The motion passed with Mr. Valenzuela voting no.

- E. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board adopt the Master OPEB Trust Declaration and direct the Chief Executive Officer to sign the Declaration. (Memo dated July 1, 2016)

Mr. Steven Rice was present and answered questions from the Board.

Mr. Santos made a motion, Ms. Sandoval seconded, to approve the agenda item. The motion passed unanimously.

VII. NON – CONSENT ITEMS (Continued)

- F. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board approve the proposed LACERA Legislative Policy work plan. (Memo dated July 1, 2016)

Mr. Steven Rice and Mr. Lew were present and answered questions from the Board.

Mr. Valenzuela made a motion, Ms. Sandoval seconded, to approve the agenda item. The motion passed unanimously.

- G. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board continue its "Watch" position on Assembly Bill 1853, which would enable any retirement system operating under the County Employees Retirement Law of 1937 to become a district. (Memo dated June 30, 2016)

Mr. Kelly made a motion, Mr. Schneider seconded, to take an "Oppose" position. The motion failed (roll call) with Messrs. Green, Kehoe, Santos, and Ms. Sandoval and Ms. Villarreal voting no; and Messrs. Kelly, Schneider and Valenzuela voting yes.

Mr. Kehoe made a motion, Mr. Santos seconded, to approve staff's recommendation. The motion passed with Messrs. Kelly and Schneider voting no.

VII. NON – CONSENT ITEMS (Continued)

- H. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board adopt a "Support if amended" position on Assembly Bill 2833, which requires the disclosure of fees and expenses related to alternative investment vehicles. (Memo dated June 30, 2016)

Mr. Steven Rice and Mr. Lew were present and answered questions from the Board.

Mr. Santos made a motion, Ms. Sandoval seconded, to approve the agenda item. The motion passed unanimously.

VIII. REPORTS

- A. Investment Beliefs Development: Summary Report of Survey Responses  
Leandro Festino, Managing Principal  
Laura Wirick, Principal  
Stacy Gooch, Vice President  
(Presentation dated July 13, 2016)

Mr. Festino and Ms. Gooch of Meketa Investment Group provided a presentation and answered questions from the Board.

- B. Hedge Fund Performance Report – 1<sup>st</sup> Quarter 2016  
James Rice, Senior Investment Officer  
(Memo dated June 22, 2016)

Mr. James Rice provided a presentation and answered questions from the Board.

- C. Real Estate Performance Measurement Report – 4<sup>th</sup> Quarter 2015  
John McClelland, Principal Investment Officer  
Jennifer Young, Principal – The Townsend Group  
(Memo dated June 21, 2016)

VIII. REPORTS (Continued)

Ms. Young of the Townsend Group and Mr. McClelland provided a presentation and answered questions from the Board.

- D. Private Equity Performance Review  
Christopher Wagner, Principal Investment Officer  
David Simpson, Investment Officer  
(Memo dated June 29, 2016)

Mr. Wagner, Mr. Simpson, and Mr. Almodovar of Grosvenor Capital Management provided a presentation and answered questions from the Board.

- E. Private Equity Emerging Manager Program – JP Morgan  
Christopher Wagner, Principal Investment Officer  
Laureen Costa, Portfolio Manager – JP Morgan  
Ashmi Mehrotra, Portfolio Manager – JP Morgan  
(Memo dated June 30, 2016)

Ms. Costa and Ms. Mehrotra of JP Morgan provided a presentation and answered questions from the Board.

The following items were received and filed:

- F. Private Equity Performance Report  
Christopher Wagner, Principal Investment Officer  
(Memo dated July 5, 2016) (For Information Only)
- G. SB 272 (Government Code §6270.5) Catalog of Enterprise System  
John Harrington, Staff Counsel  
(Memo dated June 27, 2016) (For Information Only)
- H. Assembly Bill 2823 - Public Records and Alternative Investments  
Barry W. Lew, Legislative Affairs Officer  
(Memo dated June 29, 2016) (For Information Only)
- I. Monthly Status Report on Board of Investments Legal Projects  
Steven P. Rice, Chief Counsel  
(Memo dated July 1, 2016) (For Information Only)



VIII. REPORTS (Continued)

- J. Chief Executive Officer's Report  
(Memo dated July 5, 2016) (For Information Only)

IX. REPORT ON STAFF ACTION ITEMS

In regards to item VII.B., the Board requested that future travel memos include written justification for good cause when requesting the Board to waive specific requirements of the Travel Policy.

In regards to item VII.C., the Board requested for staff to continue the practice of having the actuary collaborate with the LACERA investment consultants when performing the experience study, specifically with respect to the 20 year investment outlook. In addition, the Board requested that staff improve Real Estate reports by including a compliance summary, comments if managers are approaching policy limits, and comment when the reports on fund investments list a funded amount exceeds the commitment amount.

In regards to item VIII.D., the Board requested staff to provide the CALAPRS presentation presented at a previous seminar regarding the costs associated of private equity investing.

- X. GOOD OF THE ORDER  
(For information purposes only)

Mr. Rademacher reminded the Board that the next Board of Investments meeting will be held on Monday, July 18, 2016 at the Sheraton Hotel in Universal City, CA.

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X. GOOD OF THE ORDER (Continued)

Mr. Rademacher informed the Board that LACERA's Employee Council Team is hosting a Sports Spectacular weekend on Saturday, July 16, 2016 at Farnsworth County Park starting at 7:00 a.m.

Furthermore, Mr. Rademacher notified the Board that he will be attending a conference and will not attend the August 10, 2016 Board of Investment meeting.

Lastly, Mr. Rademacher provided an update to the Board regarding the Chief Investment Officer search.

XI. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 2:24 p.m.

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

1. CIO Report – Board of Investments Meeting (Memo dated July 13, 2016)
2. Emerging Manager Graduations – (For Information Only)  
(Memo dated July 12, 2016)
3. Board of Investments - Board Offsite Agenda (Memo dated July 13, 2016)

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JOSEPH KELLY, SECRETARY

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DAVID GREEN, CHAIR