

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, SEPTEMBER 14, 2016

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Joseph Kelly, Secretary

Diane Sandoval

Herman B. Santos

Estevan Valenzuela

Valerie Villarreal

ABSENT: Michael Schneider

Kenneth Simril

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Vache Mahseredjian, Interim Chief Investment Officer

Robert Hill, Assistant Executive Officer

John Popowich, Assistant Executive Officer

Steven Rice, Chief Counsel

Christopher Wagner, Principal Investment Officer

David Chu, Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

James Rice, Senior Investment Officer

Dale Johnson, Investment Officer

Chad Timko, Senior Investment Analyst

John Nogales, Director, Human Resources

Barry W. Lew, Legislative Affairs Officer

Meketa Investment Group

Stephen McCourt, Managing Principal

Leandro Festino, Managing Principal

Funston Advisory Services LLC

Rick Funston, Consultant

Randy Miller, Consultant

StepStone Group LP

Jose Fernandez, Partner

Tom Keck, Partner

Natalie Walker, Vice President

TorreyCove Capital Partners, LLC

David Fann, President and CEO

Heidi Poon, Senior Vice President

Jeff Goldberger, Senior Vice President

Kara King, Managing Director

I. CALL TO ORDER

The meeting was called to order at 9:00 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. Kelly 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 August 10, 2016

Mr. Valenzuela made a motion, Mr. Kelly seconded, to approve the minutes of the regular meeting of August 10, 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 provided a brief discussion on the Chief Investment Officer's report.

VII. CONSENT ITEMS

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

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the 16<sup>th</sup> Annual Wall Street Summit on October 5 – 6, 2016 in New York, NY and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.  
(Placed on the agenda at the request of Mr. Santos)  
(Memo dated August 24, 2016)

VII. CONSENT ITEMS (Continued)

- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the 9<sup>th</sup> Annual PartnerConnect West on September 27 – 28, 2016 in San Francisco, CA and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Placed on the agenda at the request of Ms. Villarreal) (Memo dated August 26, 2016)

VIII. NON – CONSENT

- A. Recommendation as submitted by the Private Equity Consultant Committee: That the Board select a Private Equity Consultant, following finalist interviews by StepStone Group LP and TorreyCove Capital Partners, LLC. (Memo dated August 31, 2016)

StepStone Group LP and TorreyCove Capital Partners, LLC. were

present and answered questions from the Board.

Mr. Kehoe made a motion, Ms. Sandoval seconded, to select StepStone Group LP as LACERA's Private Equity consultant. The motion passed (roll call) with Messrs. Green, Kehoe, Kelly, Santos, Valenzuela, Ms. Sandoval and Ms. Villarreal voting yes.

- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board of Investments define the Board authority for the selection of investment managers and funds by asset class and amend the "Powers Reserved for the Board of Investments" to reflect the Board's chosen authorities. (Memo dated September 1, 2016)

Mr. Funston and Mr. Miller of Funston Advisory Services and Mr.

Rademacher were present to answer questions from the Board.

VIII. NON – CONSENT (Continued)

Mr. Santos made a motion, Mr. Kehoe seconded, to retain the status quo. The motion failed (roll call) with Messrs. Green, Kehoe and Santos voting yes; and Messrs. Kelly, Valenzuela, Ms. Sandoval and Ms. Villarreal voting no.

Mr. Kehoe made a motion, Mr. Santos seconded, to receive and file the agenda item. The motion failed (roll call) with Messrs. Green, Kehoe and Santos voting yes; and Messrs. Kelly, Valenzuela, Ms. Sandoval and Ms. Villarreal voting no.

Mr. Valenzuela made a motion, Ms. Sandoval seconded, for Option C, which is that the Board will make a selection based upon the recommendation of the CIO and investment consultant.

Mr. Kehoe made a substitute motion, Mr. Valenzuela seconded, to return the agenda item to staff for further development specifically in reference to a possible framework for implementation of Option C, “Making a selection based upon the recommendation of the CIO and investment consultant”. The motion passed (roll call) with Messrs. Green, Kelly, Kehoe, Santos, Valenzuela, Ms. Sandoval and Ms. Villarreal voting yes.

- C. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: The Boards adopt the Policy on Joint Meetings. (Memo dated August 31, 2016)

VIII. NON – CONSENT (Continued)

Mr. Rademacher was present and answered questions from the Board.

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

- D. Recommendation as submitted by Meketa Investment Group: That the Board adopt the revised Statement of Investments Beliefs.  
(Memo dated September 14, 2016)

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

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

- E. Recommendation as submitted by Vache Mahseredjian, Interim Chief Investment Officer: That the Board adopt the revised Investment Policy Statement. (Memo dated September 6, 2016)

Mr. Vache Mahseredjian was present and answered questions from the Board.

Mr. Kelly made a motion, Mr. Santos seconded, to approve the agenda item with revisions to include sexual orientation as one of the criteria for assessment of Investment Managers (page 9) and further clarification in reference to the portfolio wide expected return (page 5). The motion passed unanimously.

VIII. NON – CONSENT (Continued)

- F. Recommendation as submitted by Vache Mahseredjian, Interim Chief Investment Officer: That the Board authorize staff to implement the commingled Master OPEB Trust structure by: 1) executing new Investment Management Agreements (IMAs) on behalf of the Master OPEB Trust, 2) transferring the existing County Trust assets into the Master OPEB Trust, and 3) investing the Superior County Trust assets in the Master OPEB Trust. (Memo dated September 6, 2016)

Mr. Vache Mahseredjian was present and answered questions from the

Board.

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

- G. Recommendation as submitted by James Rice, Senior Investment Officer; Dale Johnson, Investment Officer; and Chad Timko, Senior Investment Analyst: That the Board take no action regarding the search for Risk Parity strategies and that no managers be hired for Risk Parity strategies at this time. (Memo dated August 31, 2016)

Mr. James Rice, Mr. Johnson and Mr. Timko were present and answered questions from the Board.

Mr. Santos made a motion, Ms. Sandoval seconded, to receive and file this agenda item. The motion passed unanimously.

- H. Recommendation as submitted by Dale Johnson, Investment Officer: That the Board approve staff's voting recommendation for the Council of Institutional Investors General Members' Business Meeting Ballot. (Memo dated September 1, 2016)

VIII. NON – CONSENT (Continued)

Mr. Johnson 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.

I. Recommendation as submitted by Steven Rice, Chief Counsel: That the Board:

1. Adopt the revised Conflict of Interest Code; and
2. Authorize staff to file the revised Code with the County of Los Angeles Board of Supervisors, which is the code reviewing authority.

(Memo dated August 30, 2016)

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

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

J. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board of Investments review and comment on the draft of the proposed Legislative Policy. (Memo dated August 1, 2016)

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

the Board.

Mr. Kehoe made a motion, Mr. Kelly seconded, to return to staff for correction as directed by the Board. The motion passed unanimously.

IX. REPORTS

- A. Public Equity Manager Reviews  
Stephen McCourt, Managing Principal  
Leandro Festino, Managing Principal  
(Presentation dated September 14, 2016)

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

The following items were received and filed:

- B. Hedge Fund Performance Report – 2<sup>nd</sup> Quarter 2016  
James Rice, Senior Investment Officer  
(Memo dated August 31, 2016) (For Information Only)
- C. Assembly Bill 2833 – Alternative Investments Fee Disclosures  
Barry W. Lew, Legislative Affairs Officer  
(Memo dated September 2, 2016) (For Information Only)
- D. Assembly Bill 1853 – County Employees Retirement Districts  
Barry W. Lew, Legislative Affairs Officer  
(Memo dated September 2, 2016) (For Information Only)
- E. Status Report on Privacy Audit  
Steven P. Rice, Chief Counsel  
(Memo dated September 2, 2016) (For Information Only)
- F. Monthly Status Report on Board of Investments Legal Projects  
Steven P. Rice, Chief Counsel  
(Memo dated September 2, 2016) (For Information Only)
- G. Chief Executive Officer's Report  
(Memo dated September 6, 2016) (For Information Only)

X. REPORT ON STAFF ACTION ITEMS

In regards to item VIII.F., the Board directed staff to request that the County and the Court communicate their liquidity needs for the OPEB Trust Funds and to bring back to the Board an asset allocation review and recommendation.

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

Mr. Herman Santos shared that he will be receiving an Attorney of the Year Award from his peers on Thursday, November 3, 2016.

Mr. Rademacher provided an update to the Board regarding the Chief Investment Officer search. In addition, Mr. Rademacher shared that going forward all open recruitments at LACERA will be communicated to the Board.

Mr. Rademacher shared with the Board that there is a discrepancy in the allocation of interest credited to members and participating employers that is based on the realized income that was earned fiscal year to date. The financial statement audit, identified an audit adjustment that caused a reduction in the amount of realized income available to credit interest resulting in an overage to member accounts.

Mr. Green congratulated LACERA staff on their Charitable Giving Award.

XII. EXECUTIVE SESSION

A. CONFERENCE WITH LABOR NEGOTIATORS  
(Government Code Section 54957.6)

1. Agency designated representatives:  
Robert Hill, Assistant Executive Officer  
John Popowich, Assistant Executive Officer  
John Nogales, Director, Human Resources  
Employee Organization: SEIU Local 721

The Board met in Executive Session and there is nothing to report at this time.

XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 1:24 p.m.

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

1. Status of Newark Property Legal Issues  
(For Information Only) (Privileged and Confidential Attorney – Client Communication) (Memo dated September 2, 2016)
2. Selection of Securities Litigation Monitoring and Evaluation Counsel  
(For Information Only) (Memo dated September 12, 2016)

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JOSEPH KELLY, SECRETARY

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DAVID GREEN, CHAIR