

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, OCTOBER 12, 2016

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Joseph Kelly, Secretary

Herman B. Santos

Michael Schneider (Left at 12:05 p.m.)

Kenneth Simril

Estevan Valenzuela

Valerie Villarreal

ABSENT: Diane Sandoval

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Vache Mahseredjian, Interim Chief Investment Officer

Steven P. Rice, Chief Counsel

James Rice, Senior Investment Officer

Christopher Wagner, Principal Investment Officer

John McClelland, Principal Investment Officer

Amit Aggarwal, Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

David Simpson, Investment Officer

Barry W. Lew, Legislative Affairs Officer

Richard Bendall, Chief Audit Executive

Leisha Collins, Principal Internal Auditor

Meketa Investment Group

Stephen McCourt, Managing Principal

Leandro Festino, Managing Principal

Milliman

Mark Olleman, Consulting Actuary

Nick Collier, Consulting Actuary

Grosvenor Capital Management

David Almodovar, Principal

Alston & Bird

Dominique R. Shelton, Partner

Paula M. Stannard, Counsel

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. Kehoe 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 September 14, 2016

Mr. Santos made a motion, Mr. Kehoe seconded, to approve the minutes of the regular meeting of September 14, 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. Santos made a motion, Mr. Kelly 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 Milken Institute London Summit on December 5 – 6, 2016 in London 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. Kehoe)
(Memo dated September 26, 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 ICGN – International Integrated Reporting Council Conference on December 6 – 7, 2016 in London 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 September 26, 2016)
- C. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the 8th Annual Private Equity Brazil Forum on December 5 – 6, 2016 in Brazil 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 September 30, 2016)

VIII. NON – CONSENT

- A. Actuarial Assumption Review
Gregg Rademacher, Chief Executive Officer
Mark Olleman, Milliman
Nick Collier, Milliman
(Memo dated October 4, 2016)

Mr. Olleman and Mr. Collier of Milliman provided a presentation and answered questions from the Board. The Board provided direction to the Actuary for additional information to be presented at the November 7, 2016 meeting.

- B. Recommendation as submitted by Steve Valenzuela, Chair, Fixed Income/Hedge Funds/Commodities Committee: That the Board approve the Hedge Funds Objectives, Policies, and Procedures. (Memo dated September 30, 2016)

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

VIII. NON – CONSENT (Continued)

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

- C. Recommendation as submitted by Michael Schneider, Chair, Real Estate Committee: That the Board adopt the International Real Estate Implementation Plan. (Memo dated September 26, 2016)

Mr. McClelland and Mr. Aggarwal were present and answered questions from the Board.

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

- D. Recommendation as submitted by Michael Schneider, Chair, Real Estate Committee: That the Board expand the mandate for Cornerstone Real Estate Advisers' real estate lending program to allow mezzanine construction lending. (Memo dated September 23, 2016)

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

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

- E. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board 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 October 12, 2016)

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

VIII. NON – CONSENT (Continued)

Mr. Kehoe made a motion, Mr. Schneider seconded, to retain current manager and fund selection process. The motion passed (roll call) with Messrs. Green, Kehoe, Santos, Schneider, and Simril voting yes; and Messrs. Kelly, Valenzuela, and Ms. Villarreal voting no.

F. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board:

1. Approve that the Chief Investment Officer salary range be determined by the Board of Retirement and Board of Investments in accordance with amendments to County Code, Sections 6.127.030.F., 6.28.050 (Item 0776), and 6.127.040.B.7.
2. Direct staff to submit to the Board of Supervisors the amendments to County Code, Sections 6.127.030.F, 6.28.050 (Item 0776), and 6.127.040.B.7.

(Memo dated September 1, 2016)

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

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

G. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board adopt the Legislative Policy.

(Memo dated October 3, 2016)

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

the Board.

VIII. NON – CONSENT (Continued)

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

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

1. Approve \$79,100 to apply for private letter rulings from the Internal Revenue Service for the Superior Court OPEB Trust and the Master OPEB Trust; and
2. Approve equal 1/3 pro rata allocation of the cost of the Master OPEB Trust private letter ruling application among the County, the Court, and LACERA.

(Memo dated September 30, 2016)

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

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

I. Recommendation as submitted by Richard Bendall, Chief Audit Executive and Leisha Collins, Principal Internal Auditor: That the Board:

1. Authorize staff to issue a Request For Proposal to perform actuarial consulting and actuarial auditing services beginning with the fiscal year-end services for June 30, 2017 and expiring with the completion of fiscal year-end services for 2022.
2. Approve the attached RFP Draft with the Bidder Minimum Qualifications.
3. Approve the RFP evaluation process as defined in the attached RFP.

(Memo dated October 3, 2016)

VIII. NON – CONSENT (Continued)

Mr. Bendall and Ms. Collins were present and answered question from the Board.

Mr. Kehoe made a motion, Mr. Kelly seconded, to approve the agenda item, subject to revision of the contract term to five years plus two optional one year extensions. The motion passed with Mr. Santos voting no.

J. Presentation of Alston & Bird's Final Report of Privacy Audit

Recommendation as submitted by Richard Bendall, Chief Audit Executive and Steven P. Rice, Chief Counsel: That the Board:

1. Approve Alston & Bird's Final Report as Presented and Waive Approval by the Audit Committee.

(Public Memo dated September 29, 2016)
(Privileged and Confidential Version of Memo Dated September 29, 2016 for Board members only)*

Ms. Shelton and Ms. Stannard of Alston & Bird provided a presentation and answered questions from the Board.

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

(Mr. Schneider left the Board meeting at 12:05 p.m.)

VIII. NON – CONSENT (Continued)

K. Recommendation as submitted by Vache Mahseredjian, Interim Chief Investment Officer: That the Board:

1. Provide direction on investment topics to be discussed at the 2017 Board Offsite meeting.
2. Provide direction on the length of the investment portion of the Board Offsite meeting.

(Memo dated October 4, 2016)

This item was postponed to the next Board of Investments meeting on

November 7, 2016.

IX. REPORTS

A. Special Program/Operations
Stephen McCourt, Managing Principal
Leandro Festino, Managing Principal
(Presentation dated October 12, 2016)

This item was postponed to the next Board of Investments meeting on

November 7, 2016.

B. Summer Intern Projects Presentation
Ted Wright, Principal Investment Officer
Esmeralda Del Bosque, Senior Investment Analyst
Ron Senkandwa, Senior Investment Analyst
Jeff Jia, Intern
George Zhou, Intern
(Memo dated October 3, 2016)

This item was postponed and will be presented at a future committee meeting.

IX. REPORTS (Continued)

The following items were received and filed:

- C. Investment Policy Statement
Meketa Investment Group
(Memo dated October 12, 2016) (For Information Only)
 - D. Assembly Bill 2833 – Alternative Investments Fee Disclosures
Barry W. Lew, Legislative Affairs Officer
(Memo dated September 29, 2016) (For Information Only)
 - E. Assembly Bill 1853 – County Employees Retirement Districts
Barry W. Lew, Legislative Affairs Officer
(Memo dated September 26, 2016) (For Information Only)
 - F. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(Memo dated October 3, 2016) (For Information Only)
 - G. Semi-Annual Interest Crediting for Reserves as of June 30, 2016 –
(Audited)
Beulah S. Auten, Chief Financial Officer
(Memo dated October 4, 2016) (For Information Only)
 - H. Cornerstone Real Estate Advisers Name Change
John McClelland, Principal Investment Officer
(Memo dated October 4, 2016) (For Information Only)
 - I. Chief Executive Officer’s Report
(Memo dated October 4, 2016) (For Information Only)
- X. REPORT ON STAFF ACTION ITEMS

In regards to item VIII.A., the Board requested for the CEO to summarize the direction provided to the Boards Actuarial consultant regarding actuarial assumptions and to email the summary to the Board.

X. REPORT ON STAFF ACTION ITEMS (Continued)

In regards to Item VIII.F., the Board requested future memorandum requesting action to include a legal authority section.

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

Mr. Green announced that Mr. Simril's term will be ending in January 2017.

XII. 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. Incline Equity Partners IV, L.P.

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

Mr. Valenzuela made a motion, Mr. Kehoe seconded, to approve staff's recommendation. The motion passed (roll call) unanimously with Messrs. Green, Kehoe, Kelly, Santos, Simril, Valenzuela and Ms. Villarreal voting yes. The Board's decision and vote to approve a commitment of up to \$75 million to Incline Equity Partners IV, L.P., which focuses on value added distribution, outsource services, and niche manufacturing, were reported out in open session.

XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 1:30 p.m. in memory of Los Angeles County Sheriff Sergeant Steve Owen.

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

1. Emerging Markets Private Equity Investment Risks
(For Information Only) (Memo dated October 11, 2016)
2. Intech Investment Management LLC Update
(For Information Only) (Memo dated October 6, 2016)
3. Additional Information regarding Actuarial Experience Study Presentation Material. (For Information Only) (Memo dated October 11, 2016)

JOSEPH KELLY, SECRETARY

DAVID GREEN, CHAIR