

REVISED AS OF JANUARY 11, 2017

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, DECEMBER 14, 2016

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Joseph Kelly, Secretary

Diane Sandoval

Herman B. Santos

Michael Schneider

Estevan Valenzuela (Left at 1:00 p.m.)

Valerie Villarreal (Left at 1:00 p.m.)

ABSENT: Kenneth Simril

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Vache Mahseredjian, Interim Chief Investment Officer

Steven P. Rice, Chief Counsel

Christopher Wagner, Principal Investment Officer

John D. McClelland, Principal Investment Officer

Ted Wright, Principal Investment Officer

James Rice, Senior Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

David Chu, Investment Officer

David Simpson, Investment Officer

Robert Santos, Investment Officer

Trina Sanders, Investment Officer

Amit Aggarwal, Investment Officer

Esmeralda Del Bosque, Senior Investment Analyst

Ron Senkandwa, Senior Investment Analyst

SEIU Local 721

Ramón Rubalcava, Director of Member Benefits and Employer Relations

Los Angeles County

Sachi A. Hamai, Chief Executive Officer

Meketa Investment Group

Leandro Festino, Managing Principal  
Timothy Filla, Investment Analyst

Milliman

Mark Olleman, Consulting Actuary  
Nick Collier, Consulting Actuary

StepStone Group LP

Jose Fernandez, Partner

The Aberdeen Group

Brett Diment, Head of Global Emerging Market Debt  
Jack Kirkpatrick, Deputy Head of Institutional Business Development

Ashmore

Mark Coombs, Chief Executive Officer  
John Ricketts, Institutional Distribution

I. CALL TO ORDER

The meeting was called to order at 9:02 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 Special Meeting of November 7, 2016

Mr. Santos made a motion, Mr. Valenzuela seconded, to approve the minutes of the Special Meeting of November 7, 2016. The motion passed with Mr. Kehoe abstaining.

IV. REPORT ON CLOSED SESSION ITEMS

There was nothing to report.

V. PUBLIC COMMENT

Mr. Ramon Rubalcava and Ms. Sachi Hamai addressed the Board regarding item VIII. A.

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 following 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 2017 Upfront Summit on January 31 – February 2, 2017 in Los Angeles, 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 Mr. Kehoe)  
(Memo dated November 14, 2016)
  
- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the SuperReturn International Conference and Summit on February 27 - March 2, 2017 in Berlin, Germany 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. Green)  
(Memo dated November 14, 2016)

## VIII. NON – CONSENT

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board adopt the revised retirement benefit actuarial assumptions as presented by the plan actuary, Milliman, based on their 2016 Investigation of Experience for Retirement Benefit Assumptions report with specific direction to the plan actuary on the price inflation assumption. (Memo dated December 7, 2016)

Mr. Olleman and Mr. Collier provided a presentation and answered questions from the Board.

Mr. Valenzuela made a motion, Mr. Santos seconded, to adopt option

VIII. NON – CONSENT (Continued)

Alternative 1, which will reduce the investment return to 7.25%, the wage growth to 3.25%, the payroll growth to 3.25%, price inflation to 2.75%, Cost-of-Living for future retiree COLAs to 2.75%/2.00% and to adopt the generational mortality at 100% of the Mortality Improvement Scale (MIS) Mortality Projection (MP) 2014.

Mr. Santos offered an amendment, which was accepted by Mr. Valenzuela without objection, to add to the motion the inclusion of phasing the employer rate reduction over a three year period.

Mr. Kelly clarified that the motion as amended was intended to include acceptance of the actuary's 2016 Investigation of Experience for Retirement Benefit Assumptions, including Appendix A to the report, with adoption of the specific assumptions stated in the original motion as amended. Messrs. Valenzuela and Santos accepted this clarification. The motion passed unanimously.

- B. Recommendation as submitted by Robert Santos, Investment Officer and Esmeralda Del Bosque, Senior Investment Analyst: That the Board hire Aberdeen Asset Management and Ashmore Group for Emerging Markets Debt mandates and allocate \$200 million to each manager. (Memo dated November 22, 2016)

Aberdeen Group and Ashmore Group were present and answered questions from the Board.

VIII. NON – CONSENT (Continued)

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

- C. Recommendation as submitted by Herman Santos, Chair, Equity Committee: That the Board approve the 2017 Private Equity Objectives, Policies, and Procedures. (Memo dated November 30, 2016)

Mr. Wagner and Mr. Simpson were present and answered questions from the Board.

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

- D. Recommendation as submitted by Herman Santos, Chair, Equity Committee: That the Board approve the 2017 Private Equity Annual Investment Plan. (Memo dated November 30, 2016)

Mr. Wagner and Mr. Simpson 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.

- E. Recommendation as submitted by Steve Valenzuela, Chair, Fixed Income/ Hedge Funds/ Commodities Committee: That the Board approve the 2017 Hedge Funds Annual Investment Plan. (Memo dated November 10, 2016)

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

VIII. NON – CONSENT (Continued)

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

- F. Recommendation as submitted by Ted Wright, Principal Investment Officer and Ron Senkandwa, Senior Investment Analyst: That the Board ratify the decision to terminate Putnam Investments active small cap developed markets non-U.S. equity mandate.  
(Memo dated December 5, 2016)

Mr. Wright and Mr. Senkandwa 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.

- G. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board of Investments adopt the proposed restated Code of Ethical Conduct. (Memo dated December 5, 2016)

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

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

- H. Recommendation as submitted by Vache Mahseredjian, Interim Chief Investment Officer: That the Board adopt a 2017 meeting schedule for the Board of Investments standing committees.  
(Memo dated December 6, 2016)

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

VIII. NON – CONSENT (Continued)

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

- I. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board review the 2017 meeting calendar and reschedule meeting dates as needed. (Memo dated December 6, 2016)

The Board had a discussion and provided direction. This item will be agendized for approval at the next Board of Investments meeting on January 11, 2017.

IX. REPORTS

- A. Real Estate Report Performance Measurement Report: Second Quarter 2016  
John McClelland, Principal Investment Officer  
(Memo dated November 30, 2016)

Mr. McClelland, Ms. Sanders and Mr. Aggarwal provided a brief presentation and answered questions from the Board.

- B. Board Offsite Agenda Planning  
Gregg Rademacher, Chief Executive Officer  
(Memo dated December 6, 2016)

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

The following items were received and filed:

- C. Hedge Fund Performance Report: Third Quarter 2016  
James Rice, Senior Investment Officer  
(For Information Only) (Memo dated November 28, 2016)



IX. REPORTS (Continued)

- D. Private Equity Performance Report: Second Quarter 2016  
Christopher Wagner, Principal Investment Officer  
(For Information Only) (Memo dated December 1, 2016)
- E. CVC Capital Partners Update  
Christopher Wagner, Principal Investment Officer  
(For Information Only) (Memo dated November 23, 2016)
- F. Blackrock Institutional Trust Company, N.A.  
Ted Wright, Principal Investment Officer  
Dale Johnson, Investment Officer  
(For Information Only) (Memo dated November 30, 2016)
- G. Monthly Status Report on Board of Investments Legal Projects  
Steven P. Rice, Chief Counsel  
(For Information Only) (Memo dated December 5, 2016)
- H. Chief Executive Officer's Report  
(For Information Only) (Memo dated December 6, 2016)

X. REPORT ON STAFF ACTION ITEMS

In regard to item VIII.A., the Board requested the CEO to provide options in reference to the implementation of member rates.

In regards to item VIII.F., the Board requested for staff to revisit the Investment Statement Policy and to return with new verbiage relating to the section granting the CIO authority to take actions when deemed in the interest of the fund.

In regards to item VIII.F., the Board requested for staff to include a Legal Authority section within the staff written memos.

In regards to item VIII.I., the Board requested for staff to survey the Board in

X. REPORT ON STAFF ACTION ITEMS (Continued)

regards to the Board of Investments regular meeting dates and for a mid-year offsite meeting date.

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

The Board and Mr. Rademacher recognized and thanked Mr. Valenzuela for his dedicated service and contribution to the Board of Investments.

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. Sale of Real Property Investments

Mr. McClelland provided a brief presentation and answered questions from the Board.

Mr. Santos made a motion, Ms. Sandoval seconded, to approve staff's recommendation. The motion passed (roll call) unanimously with Messrs. Green, Kehoe, Kelly, Santos, Schneider and Ms. Sandoval voting yes. The Board's decision and vote to approve engaging INVESCO for a fee not to exceed \$650,000 to serve as a fiduciary representing LACERA in the potential sale of specific industrial properties, were reported out in open session.

2. LAV Biosciences Fund IV, L.P.

Mr. Wagner, Mr. Chu, and Jose Fernandez of StepStone Group LP, provided a brief presentation and answered questions from the Board.

## XII. EXECUTIVE SESSION (Continued)

Mr. Kehoe made a motion, Ms. Sandoval seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Green, Kehoe, Kelly, Santos and Ms. Sandoval voting yes; and Mr. Schneider voting no. The Board's decision and vote to approve a commitment of up to \$75 million to LAV Biosciences Fund IV, L.P., which is a Private Equity investment that pursues early and growth-stage investments in biopharmaceuticals and medical devices/diagnostics sectors, primarily in China but also in the US with China synergies, were reported out in open session.

(Mr. Valenzuela and Ms. Villarreal left the Board meeting at 1:00 p.m.)

## XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 1:40 p.m.

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

1. Additional Information regarding Actuarial Experience Study Presentation Material. (For Information Only) (Memo dated December 13, 2016)
2. State Street TruView Risk Implementation Update (For Information Only) (Memo dated December 12, 2016)
3. Board Offsite Agenda Planning – Update for Additional Survey Responses (For Information Only) (Memo dated December 13, 2016)

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JOSEPH KELLY, SECRETARY

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DAVID GREEN, CHAIR