

MINUTES OF THE SPECIAL 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., MONDAY, MARCH 6, 2017

PRESENT: David Green, Chair

Joseph Kelly, Secretary

Wayne Moore

Ronald Okum

Diane Sandoval

Herman B. Santos

Michael Schneider

Valerie Villarreal

ABSENT: Shawn Kehoe, Vice Chair

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Vache Mahseredjian, Interim Chief Investment Officer

Steven Rice, Chief Counsel

Christopher Wagner, Principal Investment Officer

David Chu, Investment Officer

Elin Szymanowski, Investment Officer

Shelly Tilaye, Senior Investment Analyst

David Simpson, Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Michael Herrera, Senior Staff Counsel

Milliman

Mark Olleman, Consulting Actuary

Nick Collier, Consulting Actuary

Meketa Investment Group

Leandro Festino, Managing Principal

Timothy Filla, Assistant Vice President

StepStone Group LP

Jose Fernandez, Partner

Natalie Walker, Vice-President

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

Mr. Santos 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 February 8, 2017.

Mr. Santos made a motion, Mr. Kelly seconded, to approve the minutes of the regular meeting of February 8, 2017. 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. Schneider seconded, to approve the following agenda items. The motion passed unanimously.

- A. Recommendation as submitted by Marvin Adams, Chair, Education and Travel Policy Committee: That the Board adopt the proposed revised Education and Travel Policy. (Memo dated February 17, 2017)
- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members at the BioEquity Europe Conference on May 22 – 23, 2017 in Paris, France 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 February 16, 2017)
- C. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the 2017 J.P. Morgan Private Equity Group Annual Meeting on March 8–9, 2017 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 February 16, 2017)

VII. CONSENT ITEMS (Continued)

- D. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the Pension Bridge Annual Conference on April 18-19, 2017 in San Francisco, California 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 January 27, 2017)

VIII. NON - CONSENT AGENDA

- A. Recommendation as submitted by Herman Santos, Chair, Equity: Public/Private Committee: That the Board approve the proposed Minimum Qualifications and Investment Criteria for the Private Equity Manager Separate Account Search. (Memo dated February 15, 2017)

Mr. Wagner and Ms. Szymanowski were present and answered questions from the Board.

Mr. Kelly made a motion, Mr. Santos seconded, to approve staff's recommendation with the following revisions: 1) In regards to the Proposed Investment Criteria (item 9), include that the manager will make best efforts to track diversity metrics at the underlying firm level, namely the number of women and minorities holding professional investment roles at the time of the recommendation and to commit and at agreed upon intervals during the investment term, not just at the beginning; and 2) In regards to the Proposed Minimum Qualifications, in items 2-4, include the verbiage, "firm's principals" in order to capture the principals' portable track record. The motion passed unanimously.

VIII. NON - CONSENT AGENDA (Continued)

B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board:

1. Accept the June 30, 2016, Retirement Benefit Actuarial Valuation prepared by the plan's consulting actuary, Milliman, as corrected to properly state the Normal Member Contribution Rates in Appendix D for General Plan G members 6.99% and Safety Plan C members 11.22%.
2. Adopt recommended employer and employee contribution rates.
3. Direct the Chief Executive Officer to communicate the results of the Retirement Benefit Actuarial Valuation to the Board of Supervisors by May 15, 2017, with a recommendation to implement the employer and employee rates no later than September 30, 2017. (Memo dated February 22 2017)

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

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

C. Recommendation as submitted by Michael D. Herrera, Senior Staff Counsel: That the Board authorize LACERA to participate as a named party on an amicus curiae brief in support of CalPERS's petition for writ of certiorari in *California Public Employees' Retirement System v. ANZ Securities, Inc.*, Case No. 16-373. (Memo dated February 16, 2017)

Mr. Herrera 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.

VIII. NON - CONSENT AGENDA (Continued)

D. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board:

1. Approve amending the current Management Appraisal and Performance Plan Tier I Salary Structure Table – LR Schedule to include salary ranges LR26 through LR28.
2. Direct staff to submit to the Board of Supervisors the necessary salary ordinance language to implement the revised Salary Structure Table and the Chief Investment Officer salary range at LR28.
3. Delegate authority to the Chief Executive Officer to set the Chief Investment Officer initial salary in the fourth quartile of the salary range LR28.

(Memo dated February 23, 2017)

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

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

IX. REPORTS

- A. Private Equity Portfolio Update
Christopher Wagner, Principal Investment Officer
Jose Fernandez, Partner
Natalie Walker, Vice-President
(Memo dated February 23, 2017)

Mr. Wagner, Mr. Fernandez and Ms. Walker of StepStone Group

provided a brief presentation and answered questions from the Board.

The following items were received and filed:

- B. Hedge Fund Performance Report – 2016 Fourth Quarter
James Rice – Senior Investment Officer
(For Information Only) (Memo dated February 22, 2017)

IX. REPORTS (Continued)

C. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated February 23, 2017)

D. Chief Executive Officer's Report
(For Information Only) (Memo dated February 22, 2017)

X. REPORT ON STAFF ACTION ITEMS

In regards to Item VI., the Board requested staff to discuss the option of opening an office in Europe.

In regards to Item VI., the Board requested staff to provide implementation updates in regards to new managers.

In regards to Item IX. A., the Board requested for staff to look into hiring additional staff in the Private Equity asset class.

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

Mr. Schneider requested an agenda item authorizing the Chair to retain independent counsel to report directly and solely to the Board regarding the CIO search process. Mr. Santos, Ms. Sandoval, Mr. Okum, and Mr. Green commented and agreed.

Mr. Santos and Mrs. Sandoval shared their experience of attending the SuperReturn Berlin conference.

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. Silver Lake Partners V, L.P.

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

Mr. Schneider made a motion, Mr. Santos seconded, to approve staff's recommendation. The motion passed unanimously (roll call) with Messrs. Green, Kelly, Moore, Okum, Santos, Schneider, Ms. Sandoval and Ms. Villarreal voting yes. The Board's decision and vote to approve a commitment of up to \$200 million to Silver Lake Partners V, L.P., which is a Private Equity fund pursuing technology based investments in large and upper middle market companies, were reported out in open session.

2. One Rock Capital Partners II, L.P.

Mr. Wagner, Mr. Simpson, and Jose Fernandez of StepStone Group LP, 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 unanimously (roll call) with Messrs. Green, Kelly, Moore, Okum, Santos, Schneider, Ms. Sandoval and Ms. Villarreal voting yes. The Board's decision and vote to approve a commitment of up to \$100 million to One Rock Capital Partners II, L.P., which is a Private Equity buyout fund focusing on value focused control investments in small North American companies, were reported out in open session.

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XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 12:22 p.m.

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

1. LM Capital Group
(For Information Only) (Memo dated February 22, 2017)
2. Western Asset Presentation Slides
(Presentation dated March 6, 2016)
3. Revised Recommendation – Item VIII. A: Actuarial Valuation

JOSEPH KELLY, SECRETARY

DAVID GREEN, CHAIR