

APPROVED

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, AUGUST 9, 2017

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Wayne Moore

Diane Sandoval

Herman B. Santos

Michael Schneider

Valerie Villarreal

ABSENT: Joseph Kelly, Secretary

Ronald Okum

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

John Popowich, Assistant Executive Officer

Jonathan Grabel, Chief Investment Officer

Steven Rice, Chief Counsel

Christopher Wagner, Principal Investment Officer

Michael Herrera, Senior Staff Counsel

John Nogales, Human Resources Director

STAFF ADVISORS AND PARTICIPANTS (Continued)

Scott Zdrazil, Investment Officer

Elin Szymanowski, Investment Officer

Shelly P. Tilaye, Senior Investment Analyst

Calvin Chang, Senior Investment Analyst

Meketa Investment Group

Leandro Festino, Managing Principal

Timothy Filla, Assistant Vice President

Pavilion Alternatives Group

Raelan Lambert, Managing Director

Stephanie Perry, Senior Associate

StepStone Group LP

Jose Fernandez, Partner

I. CALL TO ORDER

The meeting was called to order at 9:08 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. Moore 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 14, 2017.

Mr. Santos made a motion, Ms. Sandoval seconded, to approve the minutes of the regular meeting of June 14, 2017. The motion passed unanimously.

III. APPROVAL OF MINUTES (Continued)

B. Approval of the Minutes of the Special Meeting of July 10, 2017.

Mr. Santos made a motion, Mr. Moore seconded, to approve the minutes of the special meeting of July 10, 2017. The motion passed with Ms. Sandoval abstaining.

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. Grabel provided a brief discussion on the Chief Investment Officer's Report.

VII. CONSENT ITEMS

Mr. Santos made a motion, Ms. Sandoval 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 Milken Institute Asia Summit on September 13-15, 2017 in Singapore 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 July 25, 2017)

VII. CONSENT ITEMS (Continued)

- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the Public Pension Trustees Fiduciary Conference on October 3–4, 2017 in New York, New York 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 July 25, 2017)

- C. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the 2017 PPI Executive Seminar on November 5–7, 2017 in New Delhi and Mumbai, India and PPI's Asia Roundtable on November 8–10, 2017 in Mumbai, India 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 July 31, 2017)

- D. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members at NACD’s Advanced Director Professionalism Foundation Course on December 4 – 5, 2017 in Miami, Florida, approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy, and approve the payment of NACD Individual Director Membership fees. (Placed on the agenda at the request of Mr. Kehoe)
(Memo dated July 25, 2017)

VIII. NON-CONSENT AGENDA

- A. Recommendation as submitted by Shawn Kehoe, Chair, Corporate Governance Committee: That the Board adopt the revised Corporate Governance Principles. (Memo dated July 11, 2017)

Mr. Grabel and Mr. Zdrzil were present and answered questions from the Board.

VIII. NON - CONSENT AGENDA (Continued)

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

- B. Recommendation as submitted by Shawn Kehoe, Chair, Corporate Governance Committee: That the Board adopt a Corporate Governance Committee Charter and the revised Corporate Governance Policy, thereby replacing the current “Corporate Governance Committee Policy Statement” and “Corporate Governance Policy”. (Memo dated July 11, 2017)

Mr. Grabel and Mr. Zdrzil were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Schneider seconded, to approve the agenda item with the following changes to the Board of Investment Standing Committee Charter Corporate Governance Committee, Section D. (Meeting) to include: 1) Unless otherwise announced, Committee meetings will be held on the same day as Board meetings, either immediately before or after the Board meeting.

In addition, the following changes will be included in the Corporate Governance Policy: 1) Section II.B. viii. (The Corporate Governance Committee of the Board of Investments) will be revised (a) to provide for a recommendation for Board of Investments approval, time-permitting, and (b) to provide procedures, where necessary due to time constraints, for the Board Chair to recommend consideration by the Board or to make a decision on votes in consultation with staff.

VIII. NON - CONSENT AGENDA (Continued)

2) Section C. ii. (Staff) will be revised to provide that staff will seek the input of the Chief Investment Officer and Chief Counsel.

3) Section C. vi. (Staff) will be revised to provide that, in the event a time-sensitive vote arises, staff has the rights described provided that time constraints prohibit such items from being presented to the Committee or Board.

The motion passed unanimously.

- C. Recommendation as submitted by Joseph Kelly, Chair, and Portfolio Risk Committee: That the Board approve the Proposed Board of Investments Regulations. (Memo dated July 31, 2017)

Mr. Grabel was present to answer questions from the Board

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

(Mr. Green recused himself from the room at 9:35 a.m.)

- D. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board direct management to join the Represented Employees in signing the Memorandums of Understanding incorporating the Tentative Agreements for LACERA Administrative, Technical, Clerical, and Blue Collar Bargaining Unit (Unit 850) and LACERA Supervisory Bargaining Unit (Unit 851). The Memorandums of Understanding will be effective January 1, 2017 through December 31, 2019. (Memo dated July 31, 2017)

Messrs. Rademacher, Popowich and Nogales were present and answered questions from the Board.

VIII. NON - CONSENT AGENDA (Continued)

Mr. Santos made a motion, Ms. Sandoval seconded, to approve the agenda item. The motion passed with Mr. Green having recused himself, and not participating in the discussion or vote.

- E. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve salary adjustments for the LACERA's Non-Represented and Management Appraisal and Performance Plan (MAPP) classes to mirror those salary adjustments granted to LACERA Represented Employees.
(Memo dated July 31, 2017)

Messrs. Rademacher, Popowich and Nogales were present and answered questions from the Board.

Mr. Santos made a motion, Ms. Sandoval seconded, to approve the agenda item. The motion passed with Mr. Green having recused himself, and not participating in the discussion or vote.

(Mr. Green returned to the room at 9:48 a.m.)

IX. REPORTS

- A. Private Equity Fee Summary Report – Fiscal Year 2016
Christopher Wagner, Principal Investment Officer
Raelan Lambert, Pavilion Alternatives Group
Stephanie Perry, Pavilion Alternatives Group
(Memo dated July 28, 2017)

Mr. Wagner and Ms. Lambert and Ms. Perry of Pavilion Alternatives Group provided a presentation and answered questions from the Board.

IX. REPORTS (Continued)

- B. Private Equity Performance Report – 4th Quarter 2016
Christopher Wagner, Principal Investment Officer
(Memo dated June 26, 2017)

Mr. Wagner and Mr. Chang provided a presentation and answered questions from the Board.

- C. Fund Performance Review as of June 30, 2017
Meketa Performance Report as of June 30, 2017
Jonathan Grabel, Chief Investment Officer
(For Information Only)

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

The following items were received and filed:

- D. Update on Private Equity Emerging Manager Program Fund-of-Funds
Separate Account Manager Search
Christopher Wagner, Principal Investment Officer
(For Information Only) (Memo dated July 21, 2017)
- E. OPEB Master Trust
Ted Wright, Principal Investment Officer
(For Information Only) (Memo dated July 25, 2017)
- F. Performance Review of Real Estate Consultant
The Townsend Group
John McClelland, Principal Investment Officer
(For Information Only) (Memo dated July 24, 2017)
- G. Meketa Investment Group Self – Evaluation
Leandro Festino, Managing Principal
Stephen McCourt, Managing Principal
Timothy Filla, Assistant Vice President
(For Information Only) (Memo dated July 28, 2017)

IX. REPORTS (Continued)

- H. RFP for Securities Class Action Claims Filing and Audit Services
Michael D. Herrera, Senior Staff Counsel
(For Information Only) (Memo dated July 25, 2017)
- I. U.S. Supreme Court Decision in CalPERS v. ANZ Securities, Inc.
Michael D. Herrera, Senior Staff Counsel
(For Information Only) (Memo dated July 26, 2017)
- J. Semi-Annual Interest Crediting for Reserves as of June 30, 2017
(Unaudited)
Beulah S. Auten, Chief Financial Officer
(For Information Only) (Memo dated July 26, 2017)
- K. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated July 31, 2017)
- L. Chief Executive Officer's Report
(For Information Only) (Memo dated August 1, 2017)

X. REPORT ON STAFF ACTION ITEMS

In regards to item VIII.E., the Board requested staff provide a timeline regarding the completion of the Board Secretary classification and compensation study.

In regards to item IX.A., the Board requested for staff to follow up on the 2% of managers that did not respond to the Pavilion Alternatives Group survey request.

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

The Board and Mr. Rademacher congratulated Mr. Herman Santos and Mr. David Green on their successful re-election to the Board of Investments.

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

Mr. Rademacher recognized several Board members for their service on the LACERA Board, including Mr. Herman Santos, Mr. David Green. Ms. Valerie Villarreal, and Ms. Diane Sandoval whose current term on the Board of Investments will end in 2017.

Mr. Grabel welcomed Jeff Jia to the Investment team.

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. ALCHEMY SPECIAL OPPORTUNITIES FUND IV, L.P.

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

Ms. Villarreal made a motion, Mr. Schneider seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Green, Kehoe, Moore, Santos, and Schneider and Ms. Sandoval and Ms. Villarreal voting yes. The Board's decision and vote to approve a commitment of up to £100 million (approximately \$130 million) in Alchemy Special Opportunities IV., which follows a special situations loan to own strategy focusing on investing in distressed, mid-market European businesses, primarily through credit securities, was reported out in open session.

XII. EXECUTIVE SESSION (Continued)

2. WATERLAND PRIVATE EQUITY FUND VII, C.V.

Mr. Wagner, Ms. Szymanowski, and Jose Fernandez of StepStone Group L.P., 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) with Messrs. Green, Kehoe, Moore, Santos, and Schneider and Ms. Sandoval and Ms. Villarreal voting yes. The Board's decision and vote to approve a commitment of up to €50 million (approximately \$59 million) in Waterland Private Equity Fund VII, C.V., which will invest in mid-sized companies based in Europe and the United Kingdom pursuing buyout opportunities focusing in investments that follow themes of outsourcing in efficiency, aging population, leisure and luxury and sustainability with a buy and build approach, was reported out in open session.

3. ONEX PARTNERS V, L.P.

Mr. Wagner, Ms. Tilaye, and Jose Fernandez of StepStone Group L.P., 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 (roll call) with Messrs. Kehoe, Moore, Santos, and Schneider and Ms. Sandoval and Ms. Villarreal voting yes. The Board's decision and vote to approve a commitment of up to \$200 million in Onex Partners V, L.P., which will focus

XII. EXECUTIVE SESSION (Continued)

on large buyout transactions in companies domiciled in the United States, Canada and opportunistically in Europe, including companies in the healthcare, industrial manufacturing and aerospace sectors, was reported out in open session.

B. Conference with Legal Counsel - Anticipated Litigation (Significant Exposure to Litigation Pursuant to Paragraph (2) of Subdivision (d) of California Government Code Section 54956.9)

1. Number of Potential Cases: 1

The Board met in Executive Session pursuant California Government Code Section 54956.9.d.4. The Board voted 6-0 on a motion by Mr. Santos, seconded Mr. Kehoe to authorize the Legal Division to take steps necessary to join in an amicus brief in the U.S Supreme Court in support of the respondents Indiana Public Retirement System, Indiana State Teachers Retirement Fund and Indiana Public Employees Retirement Fund in the case of Leidos, Inc. v. Indiana Public Retirement System, et al., U.S Supreme Case No. 16-581. The motion passed (roll call) with Messrs. Kehoe, Moore, Santos, and Schneider and Ms. Sandoval and Ms. Villarreal voting yes.

XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 11:50 a.m.

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

1. Correction to Alchemy Special Opportunities Fund IV, L.P. Memo (For Information Only) (Memo dated August 8, 2017)

Signature on File

JOSEPH KELLY, SECRETARY

Signature on File

DAVID GREEN, CHAIR