

APPROVED

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, SEPTEMBER 11, 2017

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Joseph Kelly, Secretary

Wayne Moore

Ronald Okum

Herman B. Santos

Michael Schneider

Valerie Villarreal

ABSENT: Diane Sandoval

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Jonathan Grabel, Chief Investment Officer

Steven Rice, Chief Counsel

Christopher Wagner, Principal Investment Officer

Ted Wright, Principal Investment Officer

Jim Rice, Senior Investment Officer

David Simpson, Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

David Simpson, Investment Officer

Johanna Fontenot, Senior Staff Counsel

Michael Herrera, Senior Staff Counsel

Quoc Nguyen, Principal Internal Auditor

Meketa Investment Group

Stephen McCourt, Managing Principal

Timothy Filla, Managing Principal

StepStone Group LP

Jose Fernandez, Partner

Kreischer Miller

Todd E. Crouthamel, Director

John M. Guerrieri, Manager

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 followed by a moment of silence in memory of the 9/11 Victims.

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of August 9, 2017.

Mr. Santos made a motion, Mr. Kehoe seconded, to approve the minutes of the regular meeting of August 9, 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. Grabel provided a brief discussion on the Chief Investment Officer's Report.

VII. CONSENT ITEMS

Mr. Santos made a motion, Mr. Kehoe 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 LAVCA Summit and Investor Roundtable on September 25 – 27, 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 August 30, 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 2017 SuperReturn Middle East Summit on October 22 – 24, 2017 in Abu Dhabi 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. Schneider) (Memo dated August 30, 2017)

- C. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the 11th Annual GCM Grosvenor Small and Emerging Managers Conference on November 7 – 8, 2017 in Chicago, Illinois 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 August 31, 2017)

- D. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the 2017 SuperReturn Africa on December 4 – 6, 2017 in Cape Town, South Africa 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. Moore) (Memo dated August 30, 2017)

- E. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the International Corporate Governance Network conference on December 6 – 7, 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. Muir) (Memo dated August 30, 2017)

- F. Recommendation as submitted by Scott Zdrazil, Senior Investment Officer and Dale Johnson, Investment Officer: That the Board approve LACERA's vote in support of the Council of Institutional Investors General Members' Business Meeting Ballot Item 1 regarding a revised membership dues structure. (Memo dated September 1, 2017)

VIII. NON - CONSENT AGENDA

- A. Recommendation as submitted by Herman Santos, Chair, Equity: Public/Private Committee: That the Board 1) Approve the revision of LACERA's Emerging Manager Policy to include a target range of 0-5% within the Non-U.S. equity composite; 2) Approve a direct investment program for the public equity emerging manager program; 3) Approve the transition plan from an indirect to a direct investment program as detailed in the attached memo which includes the termination of the current fund-of-funds managers, FIS Group and Northern Trust; and 4) Approve the updated Emerging Manager Policy to reflect recommendations one and two above. (Memo dated August 29, 2017)

Mr. Grabel and Mr. Wright were present and answered questions from the

Board.

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

- B. Recommendation as submitted by Herman Santos, Chair, Equity: Public/Private Committee: That the Board adopt the following revision to Appendix A of the 2017 Private Equity Objectives, Policies, and Procedures, which address LACERA's Private Equity Secondary Policy to authorize the CIO authority to approve secondary sales of up to \$500 million per year without Board of Investment approval. (Memo dated August 31, 2017)

Mr. Wagner, Mr. Simpson, and Jose Fernandez of StepStone Group LP,

provided a brief presentation and answered questions from the Board.

Mr. Moore made a motion, Mr. Santos seconded, to approve the following agenda item.

VIII. NON - CONSENT AGENDA (Continued)

Mr. Kehoe offered an amendment, which was accepted by Mr. Santos without objection, to include the following changes:

1) Appendix A.I. Secondary Purchase Investment Guidelines, to add approved secondary advisors.

2) Appendix A. II. Secondary Purchase Investment Process (Reporting) to include existing current holding.

3) Appendix B. II. Secondary Sale Disposition Process (Reporting) to include existing current holdings. The motion passed with Mr. Kelly voting no.

- C. Recommendation as submitted by Christopher Wagner, Principal Investment Officer and David E. Simpson, Investment Officer: That the Board approve the following revision to Appendix A of the 2017 Private Equity Objectives, Policies, and Procedures, which address LACERA's Private Equity Secondary Policy to grant the CIO authority to purchase secondary interests in funds, including those not currently in the LACERA portfolio. Constrain the value of purchases the CIO can authorize to \$50 million in year one, \$100 million in year two, \$250 million/year in years three through five, and \$500 million/year after year five. (Memo dated August 31, 2017)

Mr. Wagner, Mr. Simpson, and Jose Fernandez of StepStone Group LP,

provided a brief presentation and answered questions from the Board.

Mr. Kehoe made a motion, Mr. Santos seconded, to approve the motion with the following revisions: to authorize \$100 million in annual purchase limits and to state the subsequent spending limits as stated in Stage 2 and to report back to the Board in two calendar years on the implementation of this plan.

VIII. NON - CONSENT AGENDA (Continued)

Mr. Kehoe amended the motion, Mr. Okum seconded. To authorize \$100 million in annual purchase limits and to the state the subsequent spending limits as stated in Stage 2 and to report back to the Board in two calendar years on the implementation of this plan and to return this item back to the Board at the next meeting for approval on the consent calendar.

The motion passed (roll call) with Messrs. Kehoe, Kelly, Okum, Schneider and Green and Ms. Villarreal voting yes and Mr. Santos and Mr. Moore voting no.

- D. Recommendation as submitted by Jonathan Grabel, Chief Investments Officer: That the Board approve Meketa Investment Group's proposed 10-year capital market assumptions for use in determining LACERA's policy portfolio in upcoming Asset Allocation Studies for both the Total Fund and the OPEB Trust. Approve Meketa's 20 year assumptions for use in testing the reasonableness of LACERA's long-term return assumption. (Memo dated August 28, 2017)

Mr. Grabel and Messrs. McCourt and Filla of Meketa Consultant were present and answered questions from the Board.

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

IX. REPORT

- A. Hedge Fund Performance Report – 2017 Second Quarter
James Rice, Senior Investment Officer
(Memo dated August 22, 2017)

Mr. Grabel and Mr. Jim Rice provided a brief presentation and answered questions from the Board.

- B. Private Equity Fee Recalculation Project
Quoc Nguyen, Principal Internal Auditor
Todd E. Crouthamel, Kreischer Miller
John M. Guerrieri, Kreischer Miller
(Memo dated August 30, 2017)

Mr. Nguyen and Todd E. Crouthamel and John M. Guerrieri of Kreischer Miller provided a presentation and answered questions from the Board.

The following items were received and filed:

- C. Investment Fees Audit Report
Quoc Nguyen, Principal Internal Auditor
(Memo dated August 24, 2017)
- D. Alternative Investment Fee Transparency
Steven P. Rice, Chief Counsel
Christine Roseland, Senior Staff Counsel
(For Information Only) (Memo dated August 28, 2017)
- E. Board Secretary Classification Study
John Nogales, Director Human Resources
(For Information Only) (Memo dated August 29, 2017)
- F. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel

(For Information Only) (Memo dated August 29, 2017)

IX. REPORT (Continued)

G. Chief Executive Officer's Report
(For Information Only) (Memo dated August 28, 2017)

X. REPORT ON STAFF ACTION ITEMS

There was nothing to report.

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

Mr. Grabel welcomed Adam Cheng to the Investment team.

Mr. Rademacher congratulated Roberta Van Nortrick, Barry Lew and Linda Ghazarian in receiving their Master in Public Administration degree with a focus on Public Sector Management and Leadership from California State University, Northridge.

Mr. Rademacher announced if Board members would like to adjourn any meeting in honor or memory of someone to please inform the Executive Office in advance to allow time to prepare a letter from the Board Chairs.

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. WATERLAND PRIVATE EQUITY FUND VII, C.V.

The Board met in Executive Session to conference with staff and legal counsel in regards to the Waterland Private Equity Fund VII, C.V., investment. The investment in Waterland that had been approved by the Boards on August 9, 2017, did

not proceed and no commitment will be made.

XII. EXECUTIVE SESSION (Continued)

B. Conference with Legal Counsel - Anticipated Litigation
(Initiation of Litigation Pursuant to Paragraph (4) of
Subdivision (d) of California Government Code Section 54956.9)

1. Number of Potential Cases: 3

The Board met in Executive Session to conference with legal counsel to discuss three potential cases of anticipated litigation. There is no report out on two of them. With respect to the third, the Board voted unanimously on a motion by Mr. Kehoe, seconded by Mr. Santos, to authorize staff to proceed with an amicus brief in the U.S Supreme Court in support of respondent in the case *Cyan, Inc., v. Beaver County Employees Retirement Fund et al.*, No. 15 – 1439.

XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned in honor of the victims and heroes of 9/11 at 12:40 p.m.

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

1. Trend Analysis of Administrative Costs FY 2011-12 through FY 2017-18
(For Information Only) (Memo dated August 21, 2017)
2. Annual Survivor Income Benefit Notice Mailing
(For Information Only) (Memo dated September 5, 2017)
3. Change in Ownership at Proxy Research and Voting Platform Vendor, ISS
(For Information Only) (Memo dated September 7, 2017)
4. LACERA Legislative Report Other
(For Information Only) (Memo dated September 1, 2017)
5. LACERA Legislative Report Federal
(For Information Only) (Memo dated September 1, 2017)
6. LACERA Legislative Report Bills Amending CERL/PEPRA
(For Information Only) (Memo dated September 1, 2017)

Signature on File

JOSEPH KELLY, SECRETARY

Signature on File

DAVID GREEN, CHAIR