

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, OCTOBER 11, 2017

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Joseph Kelly, Secretary

Wayne Moore

Ronald Okum

Herman B. Santos

Michael Schneider

ABSENT: Diane Sandoval

Valerie Villarreal

STAFF ADVISORS AND PARTICIPANTS

Robert Hill, Interim Chief Executive Officer

Jonathan Grabel, Chief Investment Officer

Steven Rice, Chief Counsel

Christopher Wagner, Principal Investment Officer

John McClelland, Principal Investment Officer

Christine Roseland, Senior Staff Counsel

Michael Herrera, Senior Staff Counsel

STAFF ADVISORS AND PARTICIPANTS (Continued)

David Simpson, Investment Officer

John Nogales, Human Resources Director

Johanna M. Fontenot, Senior Staff Counsel

Quoc Nguyen, Principal Internal Auditor

State Street Bank

Ryan Russell, Vice President

Ken Murphy, Assistant Vice President

Reed Smith LLP

Harvey L. Leiderman

The Townsend Group

Jennifer Stevens, Principal

Prashant Tewari, Principal

Meketa Investment Group

Leandro Festino, Managing Principal

Timothy Filla, Assistant Vice President

StepStone Group LP

Jose Fernandez, Partner

Todd Lapenna, Partner

Cohen Milstein Sellers & Toll PLLC

Julie G. Reiser, Partner

Michael B. Eisenkraft, Partner

I. CALL TO ORDER

The meeting was called to order at 9:06 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. Schneider 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 September 11, 2017.

Mr. Kehoe made a motion, Mr. Okum seconded, to approve the minutes of the Special meeting of September 11, 2017. The motion passed unanimously.

IV. REPORT ON CLOSED SESSION ITEMS

Steven Rice, Chief Counsel, reported that, in closed session at the September 11, 2017 special joint meeting of the Board of Retirement and Board of Investments, pursuant to Government Code Section 54957, on a motion by Mr. Green, seconded by Mr. Schneider, the Board voted unanimously by all members present to: 1) Authorize the Board Chairs to complete discussions and execute an agreement consistent with the terms negotiated by the Chairs with Gregg Rademacher concerning his retirement, 2) Negotiate an employment contract with Robert R. Hill as Interim Chief Executive Officer to be approved by the Boards, and 3) to direct the Joint Organizational Governance Committee to conduct a nationwide search for a new Chief Executive Officer. Ms. Sandoval was absent from the September 11, 2017 meeting.

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. INTERIM CHIEF EXECUTIVE OFFICER'S REPORT
(Memo dated October 3, 2017)

Mr. Hill provided a brief discussion on the Interim Chief Executive Officer's Report and announced the following interim assignments: Benefits Manager, Vanessa Gonzalez, Assistant Executive Officer, Bernie Buenaflor, and Deputy Chief Executive Officer, James Brekk.

Mr. Hill provided an update to the Board regarding the Chief Executive Officer search.

Lastly, Mr. Hill recognized Board member, David Green, for his service on the Board of Investments and presented him with a plaque honoring his service.

VII. CHIEF INVESTMENT OFFICER'S REPORT
(Memo dated September 29, 2017)

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

VIII. CONSENT ITEMS

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

VIII. CONSENT ITEMS (Continued)

- A. Recommendation as submitted by Robert Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the 2018 Commonfund Forum on March 11 - 13, 2018 in Orlando, Florida 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 September 24, 2017)

- B. Recommendation as submitted by Robert Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the UCLA Anderson Executive Education – Corporate Governance Program on April 24 – 26, 2018 in Los Angeles, 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. Kehoe)
(Memo dated September 20, 2017)

- C. Recommendation as submitted Robert Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the 9th Annual Private Equity Brazil & Latin America Forum on December 4 – 5, 2017 in São Paulo, 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 26, 2017)

- D. Recommendation as submitted Robert Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the USC Marshall Corporate Directors Symposium on November 8, 2017 in Los Angeles, 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 October 4, 2017)

VIII. CONSENT ITEMS (Continued)

- E. Recommendation as submitted by Christopher Wagner, Principal Investment Officer and David Simpson, Investment Officer: 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 grant the Chief Investment Officer authority to purchase secondary limited partnership interests in funds, including those not currently in the LACERA portfolio, up to \$100 million/year in calendar years 2018 and 2019.
(Memo dated October 2, 2017)

IX. NON - CONSENT AGENDA

- A. Recommendation as submitted by John Nogales, Director, Human Resources: That the Board 1) Approve compensation for Interim Chief Executive Officer, Robert Hill, including monthly salary of \$21,521 and "L" Item Benefits, excluding the automobile allowance, Mr. Hill will retain his existing LACERA vehicle; 2) Ratify the Employment Agreement with Mr. Hill as Interim Chief Executive Officer.
(Memo dated October 2, 2017)

Mr. Nogales and Mr. Steven Rice were present and answered questions

from the Board.

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

- B. Recommendation as submitted by John Nogales, Director, Human Resources: That the Board:
1. Approve the following new LACERA classification and salary recommendation:

Classification

Salary Schedule

Executive Board Assistant, LACERA

100F

(Memo dated October 4, 2017)

IX. NON - CONSENT AGENDA (Continued)

Messrs. Nogales, Hill and Rice were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Schneider seconded, to include the following minimum requirements to the Job Classifications:

- 1) Graduation from an accredited four-year college or university, or
- 2) Three (3) years' complex and highly responsible secretarial experience at the level of Executive Secretary, LACERA.

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

X. REPORTS

(This Item was handled out of order, after Item XIII.C.2)

- A. Recovery of Foreign Withholding Tax – State Street Presentation and RFP Update
Richard Bendall, Chief Audit Executive
Quoc Nguyen, Principal Internal Auditor
Ryan Russell, Vice President, State Street
Ken Murphy, Assistant Vice President, State Street
(Memo dated September 27, 2017)

Mr. Nguyen and Messrs. Russell and Murphy of State Street provided a presentation and answered questions from the Board.

(Mr. Okum left the Board meeting at 12:18 p.m.)

X. REPORTS (Continued)

B. Introduction to Real Assets

Leandro Festino, Managing Partner, Meketa Investment Group

Jennifer Stevens, Principal, The Townsend Group

Prashant Tewari, Principal, The Townsend Group

Todd Lapenna, Partner, StepStone

(Memo dated September 29, 2017)

Mr. McClelland, Mr. Festino of Meketa Investment Group, Mrs. Stevens and Mr. Tewari of The Townsend Group, and Mr. Lapenna of Stepstone Group provided a presentation and answered questions from the Board.

C. OPEB Asset Allocation

Jonathan Grabel, Chief Investment Officer

Stephen McCourt, Managing Partner, Meketa Investment Group

Leandro Festino, Managing Partner, Meketa Investment Group

Timothy Filla, Managing Partner, Meketa Investment Group

(Memo dated October 2, 2017)

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

(Mr. Kelly left the Board meeting at 1:20 p.m.)

D. Report on Board of Investments Offsite Planning and Schedule

Jonathan Grabel, Chief Investment Officer

(Memo dated October 3, 2017)

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

E. Report on Work Plan for Proposal that Chief Counsel Report Jointly to Board of Retirement and Board of Investments

Steven P. Rice, Chief Counsel

(Memo dated October 2, 2017)

X. REPORTS (Continued)

Mr. Steven Rice and Mr. Leiderman of Reed Smith LLP were present and answered questions from the Board.

- F. Report on Work Plan for Proposal that Chief Investment Officer Report to the Board of Investments
Steven P. Rice, Chief Counsel
(Memo dated October 2, 2017)

Mr. Steven Rice and Mr. Leiderman of Reed Smith LLP were present and answered questions from the Board.

The following items were received and filed:

- G. Performance Review of Private Equity Consultant StepStone Group
Christopher Wagner, Principal Investment Officer
(For Information Only) (Memo dated September 19, 2017)
- H. Real Estate – Natural Disaster Update
John McClelland, Principal Investment Officer
(For Information Only) (Memo dated September 29, 2017)
- I. 2017 Year-End Legislative Report
Barry Lew, Legislative Affairs Officer
(For Information Only) (Memo dated October 2, 2017)
- J. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated October 2, 2017)

XI. REPORT ON STAFF ACTION ITEMS

There was nothing to report.

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

Mr. Santos thanked the staff for participating in the New America Alliance meeting held at LACEA on Thursday, September 28, 2017.

Mr. Moore thanked the investment staff for providing a comprehensive review regarding the Private Equity Emerging Manager program.

XIII. EXECUTIVE SESSION

(This Item was handled out of order, before Item X.A)

- 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. CLARION INVESTORS III, L.P.

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

Mr. Santos made a motion, Mr. Kehoe seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Green, Kehoe, Kelly, Moore, Okum, Santos and Schneider voting yes. The Board's decision and vote to approve a commitment of up to \$50 million in Clarion Investors III, L.P., which is a private equity buy-out investment pursuing control equity investments in small companies with high growth potential, Clarion's core competencies focus on investments in the healthcare, media, and financial services sectors among others, was reported out in open session.

XIII. 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)

Number of Potential Cases: 1

The Board met in Executive Session pursuant to Paragraph (4) of
Subdivision (d) of California Government Code Section 54956.9. There was nothing
to report at this time.

- C. Conference with Legal Counsel - Existing Litigation
(Pursuant to Paragraph (1) of Subdivision (d) of Government Code
Section 54956.9)

1. Cyan v. Beaver County Employees Retirement Fund
United States Supreme Court, Case No. 15-1439
Counsel: Greines Martin Stein & Richland
2. LACERA v. Justin Caldbeck
JAMS, Case No. 1110021489
Santa Clara County Superior Court, Case No. 17CV316347
Counsel: Glaser Weil

The Board met in Executive Session pursuant to Paragraph (1) of
Subdivision (d) of California Government Code Section 54956.9. There was nothing
to report at this time.

XIV. ADJOURNMENT

There being no further business to come before the Board, the meeting was
adjourned at 1:48 p.m.

October 11, 2017

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

1. PREA Foundation LACERA Support
(For Information Only) (Memo dated October 6, 2017)
2. Possible Effects of the New Tax Plan
(For Information Only) (Presentation material dated October 2017)

Signature on file

JOSEPH KELLY, SECRETARY

Signature on file

DAVID GREEN, CHAIR