

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 13, 2017

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Joseph Kelly, Secretary

Ronald Okum

Diane Sandoval

Herman B. Santos

Valerie Villarreal

ABSENT: Wayne Moore

Michael Schneider

STAFF ADVISORS AND PARTICIPANTS

Robert Hill, Interim Chief Executive Officer

Jonathan Grabel, Chief Investment

Steven Rice, Chief Counsel

Christine Roseland, Senior Staff Counsel

Christopher Wagner, Principal Investment Officer

John McClelland, Principal Investment Officer

James Rice, Senior Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Michael Herrera, Senior Staff Counsel

Chad Timko, Senior Investment Analyst

Trina Sanders, Investment Officer

Amit Aggarwal, Investment Officer

David Chu, Investment Officer

Elin Szymanowski, Investment Officer

Calvin Chang, Senior Investment Analyst

Richard Bendall, Chief Audit Executive

Quoc Nguyen, Principal Internal Auditor

Reed Smith LLP

Harvey L. Leiderman

Meketa Investment Group

Leandro Festino, Managing Principal

Timothy Filla, Managing Principal

StepStone Group LP

Jose Fernandez, Partner

The Townsend Group

Jennifer Stevens, Principal

Goldman Sachs Hedge Fund Strategies

Richard Quigley, Managing Director

Adams Street Partners

Matthew Autrey, Principal

Miguel Gonzalo, Partner

Saguna Malhotra, Partner

Kelly Meldrum, Partner

STAFF ADVISORS AND PARTICIPANTS (Continued)

Morgan Stanley

Neha Champaneria Markle, Portfolio Manager

Mercedes Fernandez Elias, Portfolio Manager

Vikram Raju, Portfolio Manager

Randy Ojukwu, Principal

JP Morgan Asset Management

Laureen Costa, Portfolio Manager

Ashmi Mehrotra, Portfolio Manager

VAT IT

Ari Davidowitz, Managing Director

Greg Magid, Chief Executive Officer

Robyn Greenblat, Managing Director

Alex Lourenco. Head of client service

GLOBETAX

Len Lipton, Managing Director

Tom Grande, Director of Sales

Pomerantz LLP

Jeremy Lieberman, Co-Managing Partner

Jennifer Pafiti, Partner

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. Okum 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 2, 2017.

Mr. Santos made a motion, Mr. Okum seconded, to approve the minutes of the special meeting of November 2, 2017. The motion passed with Mrs. Villarreal and Mr. Kehoe abstaining.

IV. REPORT ON CLOSED SESSION ITEMS

Steven Rice, Chief Counsel, reported that, in closed session at the October 11, 2017 Board of Investments meeting under item XIII.B., the Board met with legal counsel pursuant to Paragraph (4) of Subdivision (d) of Government Code Section 54956.9 to discuss initiation of litigation on one potential case. The case is Iowa Public Employee Retirement Systems et al. vs. Bank of America, United States District Court for the Southern District of New York, Case No. 17 CV 622 also known as the Securities Lending Antitrust class action litigation. On a motion by Mr. Santos, seconded by Mr. Schneider, the Board voted 7-0 to authorize counsel to join LACERA as a named plaintiff in that case. This action is appropriate to report out now because on November 17, 2017, LACERA's retained counsel, Cohen Milstein, was successful in filing an amendment in the case adding LACERA as a plaintiff. Mrs. Sandoval and Mrs. Villarreal were absent from the October 11, 2017 meeting.

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. INTERIM CHIEF EXECUTIVE OFFICER'S REPORT
(Memo dated December 4, 2017)

Mr. Hill provided a brief discussion on the Interim Chief Executive Officer's Report and updated the Board regarding the Chief Executive Officer search.

VII. CHIEF INVESTMENT OFFICER'S REPORT
(Memo dated December 4, 2017)

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

VIII. 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 Robert Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the 2018 Milken Institute MENA Summit on February 7–8, 2018 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. Kehoe) (Memo dated November 26, 2017)
- B. Recommendation as submitted by Robert Hill, Interim Chief Executive Officer: That the Board Approve attendance of Board members at the InfoSecWorld Conference & Expo 2018 on March 19 – 21, 2018 in Lake Buena Vista, 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 November 16, 2017)
- C. Recommendation as submitted by Diane Sandoval, Chair, Fixed Income/Hedge Funds/Commodities Committee: That the Board adopt the 2018 Hedge Funds Annual Investment Plan and the Objectives, Policies, and Procedures. (Memo dated November 30, 2017)

IX. NON - CONSENT AGENDA

- A. Recommendation as submitted by Christopher Wagner, Principal Investment Officer: That the Board select a discretionary separate account private equity manager to invest \$300 million over three years in private equity emerging managers. (Memo dated November 27, 2017)

JP Morgan Asset Management, Morgan Stanley and Adams Street

Partners were present and answered questions from the Board.

Mrs. Villarreal made a motion, Mrs. Sandoval seconded, to select JP Morgan Asset Management as LACERA's Private Equity Emerging Manager. The motion passed unanimously (roll call) with Messrs. Green, Kehoe, Kelly, Okum, Santos and Mrs. Sandoval and Mrs. Villarreal voting yes.

- B. Recommendation as submitted by Jonathan Grabel, Chief Investment Officer: That the Board approve Allocation Option "C" for the OPEB Master Trust Asset Allocation for the following reasons:

1) Allocation "C" is a diversified portfolio with 50% allocation to global equity, 20% allocation to credit, 10% to risk reduction and mitigation assets, and 20% to inflation hedges;

2) Delivers the highest risk-adjusted expected return among the allocation options, given model constraints; and

3) Provides comparatively greater expected downside risk protection for the OPEB Trust.

(Memo dated November 15, 2017)

Mr. Grabel, and Messrs. Festino and Filla of Meketa Investment Group

were present and answered questions from the Board.

IX. NON - CONSENT AGENDA (Continued)

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

- C. Recommendation as submitted by Trina Sanders, Investment Officer and Amit Aggarwal, Investment Officer: That the Board approve a commitment of up to \$50 million to AEW Value Investors Asia III. (Memo dated December 4, 2017)

Messrs. McClelland, Aggarwal and Mrs. Sanders and Jennifer Stevens

of the Townsend Group were present and answered questions from the Board.

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

- D. Recommendation as submitted by Quoc Nguyen, Principal Internal Auditor: That the Board select a firm to identify the extent, if any, of LACERA's exposure to unclaimed foreign withholding taxes. (Memo dated December 4, 2017)

GLOBETAX and VAT IT were present and answered questions from the

Board.

Mr. Kehoe made a motion, Mr. Santos seconded, to select VAT IT to identify the extent, if any, of LACERA's exposure to unclaimed foreign withholding taxes. The motion passed unanimously.

IX. NON - CONSENT AGENDA (Continued)

- E. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board oppose the provision in H.R. 1 that makes state and local public-sector retirement plans subject to the payment of unrelated business income tax on certain investments.

(Memo dated December 4, 2017)

Mr. Steven Rice and Mr. Lew were present and answered questions from the Board.

Mr. Kehoe made a motion, Mr. Santos seconded, to communicate LACERA's opposition to H.R. 1 unless amended to eliminate the unrelated business income tax provision as it relates to state and local public-sector retirement plans. The motion passed unanimously.

X. REPORTS

- A. Hedge Fund Performance Report – 2017 Third Quarter

James Rice, Senior Investment Officer

(Memo dated November 28, 2017)

This item was received and filed.

- B. Assembly Bill 2833 Report – Fiscal Year 2017

Jonathan Grabel, Chief Investment Officer

(Memo dated December 5, 2017)

This item was received and filed.

- C. Educational Presentation on Petrobras Litigation in Brazil

Michael D. Herrera, Senior Staff Counsel

(Memo dated December 1, 2017)

Mr. Leiberman and Mrs. Pafiti of Pomerantz LLP provided a brief presentation and answered questions from the Board.

X. REPORTS (Continued)

The following items were received and filed:

- D. San Gabriel 2 L.P Trailing Distribution in 2018
James Rice, Senior Investment Officer
(For Information Only) (Memo dated November 28, 2017)
- E. Council of Institutional Investors Joint Investor Statement on the
Corporate Governance Reform and Transparency Act of 2017
Scott Zdrazil, Senior Investment Officer
Dale Johnson, Investment Officer
(For Information Only) (Memo dated November 15, 2017)
- F. Private Equity Performance Report
Christopher J. Wagner, Principal Investment Report
(For Information Only) (Memo dated November 22, 2017)
- G. Investment Fee Validation Procedure
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated December 5, 2017)
- H. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated December 1, 2017)

XI. REPORT ON STAFF ACTION ITEMS

In regards to item IX.A., the Board requested that staff to agendize a discussion regarding the RFP process, including notice to Board members and staff of pending RFP's quiet period rules, and conflict disclosures.

In regards to item IX.E., the Board requested that staff to bring back the Legislative Policy for Board review.

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

The Board and Mr. Hill recognized and thanked Mrs. Sandoval and Mrs. Villarreal for their dedicated service and contribution to the Board of Investments.

Mr. Hill congratulated Mr. Green for completing his three-year term ending December 31, 2017.

Mr. Kehoe shared his experience in attending the National Association of Corporate Directors (Advanced Directors Professionalism) conference.

XIII. EXECUTIVE SESSION (Mr. Kelly left the meeting at 1:00 p.m.)

- 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. SINOVAION FUND IV, L.P.

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

Mr. Kehoe made a motion, Mr. Santos seconded, to approve staff's recommendation. The motion passed unanimously (roll call) with Messrs. Green, Kehoe, Okum, Santos and Mrs. Sandoval and Mrs. Villarreal voting yes. The Board's decision and vote to approve a commitment of up to \$75 million to Sinovation Fund IV, L.P., which is a venture capital private equity fund with a core strategy of investing in early-stage technology companies in the AI, education, business-to-business consumption upgrade, and digital

XIII. EXECUTIVE SESSION (Continued)

entertainment sectors, was reported out in open session. Messrs. Kelly, Moore and Schneider were absent from this item.

2. AQR LIQUID ENHANCED ALTERNATIVE PREMIA FUND INVESTMENT

Mr. Jim Rice and Mr. Timko, and Richard Quigley of Goldman Sachs Hedge Fund Strategies, provided a brief presentation and answered questions from the Board.

Mr. Santos made a motion, Mrs. Sandoval seconded, to approve staff's recommendation. The motion passed unanimously (roll call) with Messrs. Green, Kehoe, Okum, Santos and Mrs. Sandoval and Mrs. Villarreal voting yes. The Board's decision and vote to approve a commitment of up to \$200 million to AQR Liquid Enhanced Alternative Premia Fund which is a hedge fund investments following an alternative beta strategy, was reported out in open session. Messrs. Kelly, Moore and Schneider were absent from this item.

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.

XIII. EXECUTIVE SESSION (Continued)

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

1. 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.

2. Iowa Public Employees' Retirement System, et al. v. Bank
of America
USDC, Southern District of New York
Case No. 17 CV 6221
Counsel: Cohen Milstein

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 2:00 p.m.

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

1. VAT IT – Presentation (December 13, 2017)

JOSEPH KELLY, SECRETARY

DAVID GREEN, CHAIR